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MONTANA DEPARTMENT OF JUSTICE
GAMBLING CONTROL DIVISION

BIENNIAL REPORT

Fiscal Years 1991 and 1992

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REPORT OF THE

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MONTANA DEPARTMENT OF JUSTICE

GAMBLING CONTROL DIVISION

BIENNIAL REPORT

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I. INTRODUCTION

A. Creation of Division

Prior to 1989, responsibility for regulating most forms of gambling in Montana rested with local governments. This decentralized system resulted in a diverse range of control over gambling activities in the state. Some cities and counties vigorously controlled gaming within their boundaries while other jurisdictions took a more relaxed stance. A consistent approach to gambling regulation was nonexistent.

Recognizing that a uniform regulatory climate would serve the best interest of the gaming industry, general public, and local governments, the 1989 Legislature enacted Senate Bill No. 431[1], a bill centralizing gambling regulation under the Department of Justice. Statutory duties assigned to the Department included adopting administrative rules, licensing gambling providers and activities, collecting and distributing gambling taxes, testing and approving video gambling machines, and enforcing the gambling laws. The Attorney General, as head of the Department, created the Gambling Control Division to assume these duties.

B. Types of Gambling Under Division Jurisdiction

The Gambling Control Division's jurisdiction extends to all forms of gambling except the Montana Lottery and horse racing.[2] The following sections describe the games regulated by the Division:

Video gambling machines. A video gambling machine is an electronic gambling device that, upon insertion of cash, is available to play poker, keno, or bingo. The machine uses a video display and microprocessors in which, by the skill of the player, by chance, or both, the player may receive free games or credits that may be redeemed for cash.

Live card games. Montana law authorizes ten card games: bridge, cribbage, hearts, panguingue, pinochle, pitch, poker, rummy, solo, and whist. These are nonbanking card games in which players bet against and settle with each other rather than betting against and settling with the house.

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[1] Chapter 642, Laws of 1989.

[2] The Montana Lottery and horse racing are under the jurisdiction of the Montana Lottery Commission and the Board of Horse Racing, respectively.

Live bingo. Live bingo is played on a card bearing a printed design of five columns of five squares each, 25 squares in all. The letters B-I-N-G-O must appear above the design, with each letter above one of the columns. No more than 75 numbers may be used. One number must appear in each square, except for the center square, which may be considered a free play. Numbers are randomly drawn using authorized equipment until the game is won by the person or persons who first cover a previously designated arrangement of numbers on the bingo card.

Live keno. Live keno is played with a card containing eight horizontal rows and ten columns on which a player may pick up to ten numbers. A keno caller, using authorized equipment, selects at random at least 20 numbers out of the numbers between one and 80, inclusive. A player may win prizes by matching the numbers selected in whole or in part.

Sports pools. In a sports pool, a participant wagers money for a chance to win cash or other prizes based on the outcome of a sports event or series of sports events wherein the competitors in the event or series are natural persons or animals. Several variations of sports pools are legal including the traditional sports pool, series sports pool, multiple way sports pool, selected point sports pool, blackout sports pool, weekly sweepstakes sports pool, and multiple competitor sports pool.

Sports tab games. A sports tab game is conducted on a card to which 100 sports tabs[3] are attached that have 100 different pairs of numbers. A person may purchase a sports tab from the card for the chance to win cash or other prizes based on the outcome of a sports event. A winner or winners are determined by matching the appropriate numbers on a participant's sports tab with the only or last digit of the competitors' score at the end of the sports event, and if designated before the event by the game's sponsor, at intervals during the sports event.

Raffles. A raffle is a gambling activity in which a participant purchases a ticket for a chance to win a prize through a random selection process.

Calcutta pools. A Calcutta pool is a form of auction pool conducted in conjunction with an event involving more than two competitors. Participants in the pool bid on the event's competitors, and a participant's wager is equal to his

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[3] A sports tab is a folded or banded ticket with a face covered to conceal a combination of two numbers, with each number ranging from zero through nine.

or her bid. The highest bid "purchases" the competitor, and pool proceeds are divided among participants according to a competitor's performance in the event.

Casino nights. A casino night is a fundraising event conducted by a nonprofit organization during which wagers are made in certain gambling activities using imitation money. Only live card games that are legal in the state, live bingo, live keno, and raffles may be conducted during a casino night.

Fantasy sports leagues. A fantasy sports league consists of a limited number of persons or groups who pay an entrance fee for membership in the league. Each league member creates a fictitious team composed of athletes from a given professional sport. Each team then competes against the other teams in the league. Points are awarded to a team according to the performance of individual players or teams or both during a designated time period. A member may be eligible to receive a payout, which may be in cash or merchandise, based on the number of points accumulated.

Shake-a-day. Shake-a-day is a gambling activity in which a customer may once each day wager an amount of money, not to exceed 50 cents, and shake a number of dice in an attempt to roll a certain combination simulating a poker hand predetermined by the establishment. If the combination is rolled, the customer wins all money paid to play the game since the last winning combination was rolled.

Shaking for drinks or music. Shaking for a drink or music is a gambling activity in which a customer shakes or chooses one or more dice, alone or with an owner or employee of an establishment, to determine whether the customer or establishment will pay for the customer's drink or pay a predetermined amount of money for music from a jukebox.

Fishing derbies. In a fishing derby, two or more persons pay valuable consideration for an opportunity to win a prize for the species, size, weight, or otherwise specified fish caught in a fishing event.

Wagering on natural occurrences. Wagering on a natural occurrence is a gambling activity in which a person pays valuable consideration for an opportunity to win a prize by most accurately predicting the date or time of an event resulting from a climatological or meteorological activity.

C. Wager and Payout Limits

In some cases, the gambling laws impose specific wager and/or and payout limits on gaming activities. The following table lists the limits imposed on the games.

TABLE 1.1
Wager and Payout Limits

	WAGER	PAYOUT
Video Gambling Machines	$2	$100/Poker $800/Keno/Bingo
Live Card Games	None	$300
Live Bingo/Keno	$.50	$100
Raffles	None	$5000 (Except Nonprofit)
Sports Pools/Tabs	$5	$500
Calcutta Pools	None	None
Shake-A-Day	$.50	None
Shaking for Drink	None	None
Shaking for Music	None	$2
Fishing Derbies and Natural Occurrences	None	None
Casino Nights	None	None
Fantasy Sports Leagues	None	None

Statistics on the amounts wagered on selected gambling activities in this state are contained in Table 1.2 on the following page.

TABLE 1.2
Amount Wagered on Selected Gambling Activities
Fiscal Years 1990 Through 1992
(In Millions)

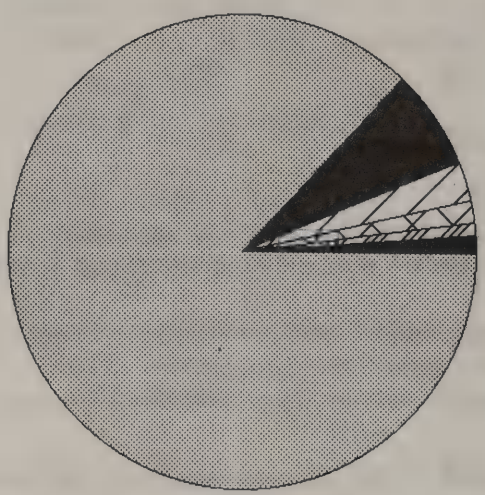
	1990	1991	1992
Live horse racing[1]	$ 6.2	$ 5.4	$ 5.2
Simulcast racing	3.4[2]	2.5[3]	3.7[4]
Commercial live keno	5.4	6.2	6.1
Commercial live bingo	8.0	9.9	11.1
Lottery	21.5	23.9	28.0
Video gambling machines	251.8	304.6	358.8
Totals	$296.3	$304.6	$412.9

[1] Live season covers May through September of each year.
[2] Covers winter season (January through April 1990) and summer season (May through October 1990).
[3] Covers winter season (November 1990 through May 1991).
[4] Covers winter season (October 1991 through May 1992).

As noted above, in fiscal year 1990 Montanans and visitors to the state wagered $296.3 million on live and simulcast horse racing, commercial live bingo and keno, lottery, and video gambling machines.[4] This figure grew to $412.9 million in fiscal year 1992, a 39 percent increase. Only live horse racing experienced a decline in the total wagered during this three-year period. The annual amount wagered per Montana resident age 18 or older on these six gambling activities was approximately $715 in fiscal year 1992. As the graph on the following page illustrates, video gambling machines accounted for nearly 87 percent of the wagering on these gambling activities in fiscal year 1992, while simulcast horse racing accounted for less than one percent.

[4] The amount wagered on video gambling machines is an estimate based on a sample of video gambling machine tax returns.

PERCENTAGE WAGERED ON SELECTED GAMBLING ACTIVITIES
FISCAL YEAR 1992



Live horse racing 1.2%
Simulcast racing .9%
Comm. live keno 1.5%
Comm. live bingo 2.7%
Lottery 6.8%
Vid. gam. machs. 86.9%

II. 1991 LEGISLATIVE CHANGES

During the 1991 legislative session, approximately 28 gambling-related bills were introduced. Of this number, 21 died at some stage of the legislative process. The remaining seven bills[5] were signed by the Governor. The following summarizes the major provisions enacted in 1991.

A. Premises Approval

A major issue addressed during the 1991 session was the "stacking" of liquor licenses. In some instances, operators had purchased a second liquor license for their premises in an attempt to obtain a second gambling operator's license and permits for 20 more video gambling machines.

To prevent placement of more than 20 gambling machines in a premises, the Legislature authorized the Gambling Control Division to approve a premises for issuance of an operator's license if the premises:

(1) was a structure that was clearly defined by permanently installed walls that extended from floor to ceiling;

(2) had a unique address; and

(3) had a public external entrance, leading to a street or other common area, that was not shared with another licensed premises.

In addition, if the premises seeking an operator's license shared a common wall with another licensed premises, the common wall must:

(1) have been permanently installed and opaque;

(2) extend from floor to ceiling; and

(3) not contain an internal entrance through which public access is allowed.

B. Video Gambling Machines

Proration of machine permit fee. The $200 video gambling machine permit fee was prorated on a quarterly basis.

Ten-machine limit. The 10-machine limit on the number of poker machines per premises was removed. Any combination of 20 machines (poker, keno, or bingo) could be placed in a premises.

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[5] The seven bills enacted in 1991 were: Senate Bill No. 53 (Chapter 709), Senate Bill No. 270 (Chapter 523), Senate Bill No. 427 (Chapter 647), House Bill No. 774 (Chapter 211), House Bill No. 847 (Chapter 473), and House Bill No. 909 (Chapter 508).

Tax deduction for theft. The Legislature authorized a gambling operator, when calculating the video gambling machine tax, to deduct from the machine income any amount stolen from the machine if:

(1) the amount was not repaid by insurance; and

(2) a law enforcement agency investigated the theft.

C. Live Bingo and Keno

Live bingo and keno tax. Prior to July 1, 1991, a gambling operator was required to pay a live bingo or keno tax equal to five percent of the net income from the game or one percent of the gross proceeds, whichever was greater. To simplify payment of the tax, the Legislature eliminated the five percent tax on net income and retained the one percent tax on gross proceeds.

Keno way tickets. The Legislature amended the live keno game statutes to allow keno way tickets to be played. A way ticket permits a player to select three or more numbers and place a wager on various combinations of these numbers if:

(1) no more than 50 cents is wagered on each combination of numbers; and

(2) a winning combination does not pay more than $100.

Electronic live bingo and keno equipment. A statute was enacted requiring electronic live bingo or keno equipment acquired on or after July 1, 1991 to be approved by the Gambling Control Division. The manufacturer of the electronic equipment is responsible for submitting the equipment to the Division. The manufacturer must also be licensed by the Division before assembling, producing, manufacturing, or supplying the equipment in the state.

Permit fee. The Legislature reduced the annual live bingo and keno permit fee from $500 to $250.

D. Live Card Games

Card room contractor's license. The live card game law was amended to allow a gambling operator to contract with a person to operate card game tables on the operator's premises. Before entering into a contract with an operator, the person intending to operate the tables must obtain a card room contractor's license from the Gambling Control Division.

Card game tournaments. The Legislature authorized a gambling operator with a permit for at least one card game table to conduct up to 12 card game tournaments a year. The operator must obtain a permit from the Gambling

Control Division before conducting each tournament. A tournament may last no more than five consecutive days, and at least seven days must lapse between tournaments. Permits for additional card game tables are not needed for additional tables authorized under a tournament permit.

E. Provisions Affecting Fraternal, Veterans' and Nonprofit Organizations

Live bingo/keno fee and tax exemption. Organizations granted a federal tax exemption on or before January 1, 1989 under 26 U.S.C. 501(c)(8) or (c)(19), nursing homes, and retirement homes were exempted from the live bingo and keno permit fee and tax. An organization granted a 501(c)(8) or (c)(19) exemption after January 15, 1989, was exempted from the tax but required to pay a $125 permit fee.

Senior citizen center exemption. Senior citizen centers were authorized to conduct legal card games and live bingo without obtaining an operator's license or permits. The centers were also exempted from payment of the live bingo tax.

F. New Gambling Activities

New games. The following gambling activities[6] were authorized in 1991:

(1) sports tab games;
(2) fantasy sports leagues;
(3) shake-a-day;
(4) shaking for music or a drink;
(5) fishing derbies;
(6) wagering on natural occurrences; and
(7) casino nights.

Sports pool variations. The sports pool statutes were amended to allow a variety of pools to be conducted in addition to the traditional sport pool board (i.e., a card divided into squares with the names of the participants written within the squares). The Legislature authorized the Gambling Control Division to adopt rules defining the types of pools that could be offered. The revised law required each sports pool to be designed to ensure that:

(1) there is at least one winner from among the pool participants;
(2) each participant has an equal chance to win the pool; and

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[6] A description of these games can be found in Chapter I, section B, "Types of Gambling Under Division Jurisdiction".

(3) competitors in the sports event or series of events are randomly assigned to each pool participant.

G. Miscellaneous Provisions

Display of illegal gambling device. An amendment was enacted allowing an illegal gambling device, other than an antique slot machine, to be possessed or located on a premises for display purposes only and not for operation if the device has been made permanently inoperable for the purposes of conducting a gambling activity.

Licensing qualifications. In addition to the licensing qualifications previously enacted, the Legislature provided that a gambling license could be denied to an applicant who:

(1) had been convicted of a felony offense within five years of the date of application;

(2) was on probation or parole;

(3) was under deferred prosecution for committing a felony offense; or

(4) had falsified a license or permit application.

Operator's license processing fee. The Legislature imposed a processing fee on operator's license applications to cover the actual cost of determining whether the applicant qualifies for licensure.

Importation of illegal gambling devices. Persons licensed to manufacture devices that are illegal in the state were authorized to import illegal devices for export only.

Amusement games. The Legislature exempted amusement games from the definition of gambling and authorized certain games (e.g., crane games, ball tosses, coin pitches) that could be played in the state. The new law requires arcades, concessionaires[7], operators[8], and nonprofit organizations to obtain a permit from the board of county commissioners of the county in which the games are to be made available for public play.

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[7] A concessionaire is defined as a person who owns one or more amusement games and who enters into an agreement with an operator to conduct games.

[8] An operator is defined as a person who: (1) enters into an agreement with a county fair commission, board of directors of a fair district, joint fair and civic center commission, business, or an association to provide amusement games; or (2) makes an amusement game available for public play on his or her premises or on a premises owned by another person.

III. GAMBLING LICENSES AND PERMITS

A. Introduction

The Gambling Control Division is directed by statute to provide licensing procedures, prescribe application forms, and grant or deny license applications (§23-5-115(3), MCA). According to §23-5-110(2), MCA, issuance of a license or permit is a privilege, not a right, that is revocable for good cause only. A licensee does not acquire a vested right in a license or permit and may not sell, assign, lease, or transfer a license or permit. All licenses and permits expire annually on June 30, except for a card dealer's license, which expires on the licensee's birthday.

Licensing process. To obtain a gambling license and related permits, a person must submit to the Gambling Control Division a completed application and supporting documents plus processing and licensing fees, if required. After receiving the application, the Division reviews it for completeness, and the applicant is contacted in writing if additional information is needed. A financial review of the application is then conducted. The applicant is again contacted if more documentation is necessary. A computerized Criminal Justice Information Network (CJIN) check on the applicant is conducted while the financial review is underway. After the financial review and criminal background check are completed, the application and supporting documents are assigned to an investigator in a Division field office. The investigator interviews the applicant, conducts follow-up investigations, and inspects the applicant's premises. The investigation report and application materials are returned to the Division for a final determination on the applicant's suitability for licensure. Any licensing determination made by the Division (e.g., approval, denial, placement of conditions) may be appealed to an independent hearing examiner appointed by the Division. After exhausting this administrative remedy, an applicant may appeal to state district court.

Qualifications for licensure. Section 23-5-176, MCA, provides that the Division must issue a license to an applicant unless the Division can demonstrate that the applicant:

(1) is a person whose prior activities or criminal record poses a threat to the public interest of the state; poses a threat to the effective regulation and control of gambling; or creates a danger of illegal practices in the conduct of gambling;

(2) has been convicted of a felony offense within five years of the date of

application or is on probation or parole or under deferred prosecution for committing a felony offense;

(3) is receiving a substantial amount of financing for the proposed operation from an unsuitable source; or

(4) has falsified a license or permit application.

Conditional licenses. Section 23-5-115, MCA, allows the Division to place conditions on a license. Typically a conditional license will state specific terms under which the licensee must operate in order to remain licensed (e.g., payment of video gambling machine taxes in full and on time). In some cases, the conditions require the licensee to supply additional information or documentation to the Division within a specified period of time (e.g., a lease agreement reflecting market value rates). If the conditions are met, the Division will issue a standard license. If the conditions are not met, the Division may initiate revocation of the license.

Provisional licenses. When the Division first began licensing gambling operators in July 1989, provisional licenses were issued because of the large volume of applications received and the inability of the Division to process more than 1700 applications in less than 30 days. These temporary licenses allowed a person to conduct business in the state while the Division determined whether the applicant qualified for licensure. In October 1991, the Division amended its administrative rules to eliminate issuance of provisional licenses for initial applications.[9] Provisional licenses were eliminated because they had served their purpose in getting a large number of persons licensed as quickly as possible. In addition, because provisional licenses were not provided for in statute, the Division was subjected to considerable criticism by the Legislature's Administrative Code Committee for issuing an unauthorized license.

B. Gambling Licenses

The Gambling Control Division issues eight separate licenses for the following occupations:

- operator;
- card dealer;
- card room contractor;
- gambling device manufacturer, distributor, or route operator;
- manufacturer of illegal gambling devices;
- sports tab card manufacturer;

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[9] The Division, however, continues to renew conditional licenses until background investigations are completed and a final licensing determination is made.

- electronic live bingo and keno equipment manufacturer; and
- antique slot machine dealer.

The following sections describe the licenses issued by the Division. License fee revenue collections and distribution are covered in Chapter IV.

Operator's licenses. Before a person may operate video gambling machines or live games (i.e., cards, bingo, or keno), he or she must obtain an operator's license. In addition, a person seeking to conduct a live card game or operate video gambling machines must possess a license to sell alcoholic beverages for on-premises consumption.[10] A liquor license is not required to provide other forms of gambling except sports tabs.

The table below lists the number and types of operator's licenses initially issued or renewed in fiscal years 1991 and 1992:

TABLE 3.1
Operator's Licenses Initially Issued or Renewed
Fiscal Years 1991 and 1992

Type of License	FY 1991	FY 1992
Standard	1,486	1,470
Provisional	318	209
Conditional	1	29
Totals	1,805	1,708

The decrease in the total number of licenses issued in fiscal year 1992 reflects in part a statutory change that became effective July 1, 1991. This amendment allowed senior citizens centers to conduct live bingo and live card games without obtaining a license or permits. The number of provisional licenses will continue to drop in future years as background investigations are completed and final licensing determinations are made.

[10] Certain "grandfather" provisions allow card game table and video gambling machine permits to be issued to a person who legally operated a table or machine on January 15, 1989, but did not have a liquor license on that date (§§23-5-306 and -611, MCA).

Card dealer's licenses. A card dealer's license is required to deal cards in a game of poker or panguingue. An applicant may obtain a temporary 90-day dealer's license by completing and mailing to the Gambling Control Division the application materials obtained at a local driver license station. In fiscal year 1991, the Division issued 378 dealer's licenses; 499 licenses were issued in fiscal year 1992.

Card room contractor's licenses. Effective July 1, 1991, a person was permitted to contract with an operator to conduct live card game tables on the operator's premises, if the person obtained a license from the Gambling Control Division. At the time of application, the applicant must submit a copy of the agreement entered into with the operator. Nine card room contractor's licenses were issued in fiscal year 1992.

Manufacturer-distributor's licenses. The manufacturer-distributor's license issued by the Division covers three different occupations involving gambling devices and equipment: manufacturer[11], distributor[12], and route operator[13]. The following table lists the number of manufacturer-distributor's licenses issued in fiscal years 1991 and 1992 according to occupation.

TABLE 3.2
Manufacturer-distributor's Licenses Issued
By Occupation
Fiscal Years 1991 and 1992

Occupation Type	FY 1991	FY 1992
Manufacturer	21	18
Distributor	46	49
Route Operator	99	107
Totals	166	174

[11] A manufacturer is a person who assembles from raw materials or subparts a completed piece of equipment or pieces of equipment of any kind to be used as a gambling device.

[12] A distributor is a person who purchases or obtains equipment for use in gambling activities and who sells the equipment to another person for use in public.

[13] A route operator is a person who purchases gambling devices or associated equipment and leases the devices or equipment to an operator for use in public.

Manufacturer's licenses for illegal devices. State law permits a person to manufacture, for export, gambling devices that are not legal in Montana, if a license is obtained from the Gambling Control Division. The Division licensed six businesses to manufacture illegal devices in both fiscal year 1991 and fiscal year 1992.

Sports tab card manufacturer's licenses. In 1991, the Legislature legalized sports tab games and required manufacturers wishing to sell sports tab cards in the state to obtain a license from the Gambling Control Division. The Division licensed one sports tab card manufacturer in fiscal year 1992.

Electronic live bingo or keno equipment manufacturer's licenses. Also in 1991, the Legislature required manufacturers of electronic live bingo or keno equipment[14] to be licensed by the Gambling Control Division before conducting business in the state. No electronic live bingo or keno equipment manufacturer's licenses were issued in fiscal year 1992.

Antique slot machine dealer's licenses. Another license created by the 1991 Legislature was for the commercial sale of antique slot machines[15]. A person other than a licensed manufacturer-distributor may not sell more than three antique slot machines in a 12-month period without obtaining a license from the Gambling Control Division. The license may not be issued to a licensed gambling operator. The Division issued no antique slot machine dealer licenses in fiscal year 1992.

C. Gambling Permits

Once a person is issued an operator's license, the licensee may obtain permits from the Gambling Control Division to conduct the following gambling activities:

- video gambling machines;
- live card game tables;
- card game tournaments; and
- live bingo and keno games.

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[14] Electronic live bingo or keno equipment is an electronic device or system that uses a microprocessor to generate random numbers during a live bingo or keno game.

[15] An antique slot machine is defined as a mechanically or electronically operated slot machine that at any present time is more than 25 years old. It may be possessed, located, and operated only in a private residence or possessed or located for display purposes only and not for operation in a public museum.

A person need not be a licensed operator to conduct other legal gambling activities;[16] however, a permit must be obtained to conduct a raffle, Calcutta pool, or casino night. Raffle permits are issued by each board of county commissioners for raffles conducted within its jurisdiction. The Gambling Control Division is responsible for issuing Calcutta pool and casino night permits.

The following sections describe the permits issued by the Division. Permit fee revenue collections and distribution are covered in Chapter IV.

Video gambling machine permits. A permit is required for each video gambling machine made available for play on an operator's premises. When a machine is moved from one location to another, a new permit must be issued for the machine. Table 3.3 provides data on the number of video gambling machine permits issued in fiscal years 1986 through 1992.

TABLE 3.3
Video Gambling Machine Permits Issued By Machine Type
Fiscal Years 1986 Through 1992

Fiscal Year	Poker	Keno	Bingo	Total
1986[1]	2,210	0	0	2,210
1987[1]	3,600	0	0	3,600
1988	4,564	3,786	112	8,462
1989	5,107	4,502	60	9,669
1990	6,220	4,729	22	10,971
1991	7,353	5,268	0	12,621
1992	7,910	6,455	0	14,365

[1] For fiscal years 1986 and 1987, the state licensed only video poker machines. State regulatory control was extended to keno and bingo machines beginning in fiscal year 1988.

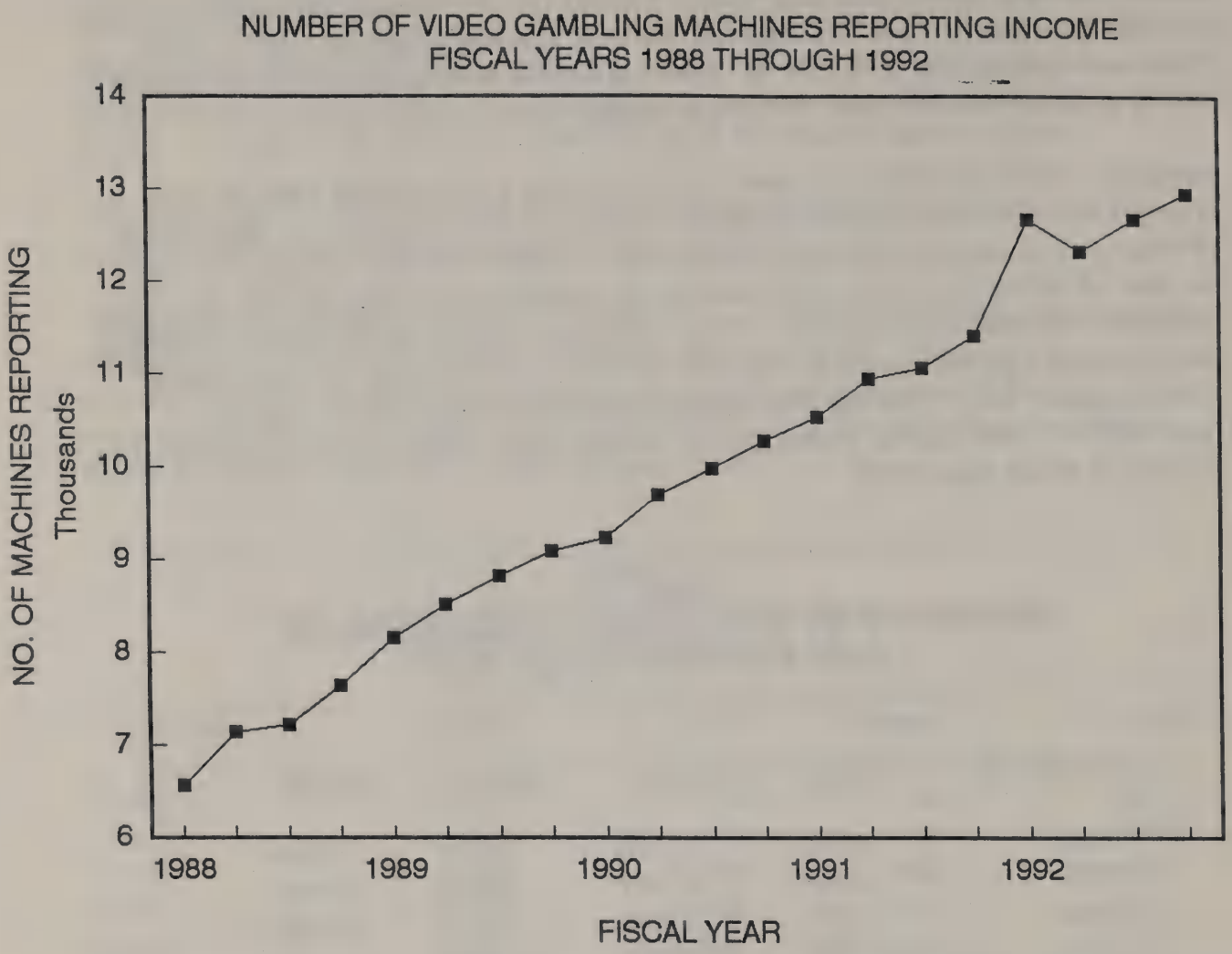
[16] Although an operator's license in not needed to conduct shake-a-day, shaking for music or a drink, or sport tab games, a license for the on-premises consumption of alcoholic beverages is required.

The growth in number of permits issued in fiscal year 1992 represents a 14 percent increase over fiscal year 1991. Part of this increase is attributable to the quarterly proration of the $200 permit fee that became effective July 1, 1991. Proration made it cost effective to move a machine from one location to another and to place a machine near the end of a fiscal year.

Because a video gambling machine must be issued a new permit each time it changes locations, the number of permits issued is not equivalent to the number of machines operating in a given fiscal year. A more accurate reflection of the number of active machines is the number of machines reporting income for video gambling machine tax purposes. Table 3.4 below and the graph on the following page provide information on the number of reporting machines for fiscal years 1988 through 1992. During this five-year period, the number of machines reporting in fourth quarter increased 69 percent from 7,644 in fiscal year 1988 to 12,937 in fiscal year 1992.

TABLE 3.4
Number of Video Gambling Machines Reporting Income
Fiscal Years 1988 Through 1992

Fiscal Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
1988	6,570	7,146	7,223	7,644
1989	8,154	8,507	8,816	9,095
1990	9,231	9,698	9,975	10,268
1991	10,526	10,939	11,048	11,390
1992	12,650	12,300	12,658	12,937



An operator may place up to 20 video gambling machines of any legal type (i.e., poker, bingo, or keno) on his or her premises. The table on the following page provides data on the number of premises with a specific number of machines as of June 30, 1992.

TABLE 3.5
Number of Video Gambling Machine Permits Issued Per Premises
As of June 30, 1992

No. of Machines on Premises	No. of Premises	Total Machines	Percentages of Premises	Percentages of Machines
1	117	117		
2	141	282		
3	148	444		
4	188	752		
5	164	820		
Totals	**758**	**2,415**	**46.9%**	**19.5%**
6	136	816		
7	107	749		
8	92	736		
9	60	540		
10	81	810		
Totals	**476**	**3,651**	**29.5%**	**29.6%**
11	36	396		
12	38	456		
13	24	312		
14	32	448		
15	30	450		
Totals	**160**	**2,062**	**9.9%**	**16.7%**
16	23	368		
17	13	221		
18	19	342		
19	23	437		
20	143	2,860		
Totals	**221**	**4,228**	**13.7%**	**34.2%**

Total Premises - 1615 **Total Machines - 12,356**

As indicated on the previous page, nearly half of the premises (47 percent) operate from one to five video gambling machines, which in total comprise about 20 percent of the machines in play. In contrast, approximately 14 percent of the premises offer from 16 to 20 video gambling machines, which represents 34 percent of the machines in play. The average number of machines per premises is approximately 8.

Live bingo and keno permits. A live bingo and keno permit allows commercial operators to conduct either game or both games on their premises for a fee of $250. Certain groups are exempt from the fee: nonprofit organizations qualified under 26 U.S.C. 501(c)(3), (4), (8), or (19) that qualified for the federal exemption on or before January 15, 1989; long-term care facilities; retirement homes; and senior citizen centers. Nonprofit organizations that qualified for the federal exemption after January 15, 1989, are exempt from one-half of the fee (i.e., $125). Table 3.6 lists the number of live bingo and keno permits issued according to the type of game offered for fiscal years 1990 through 1992.

TABLE 3.6
Number of Live Bingo and Keno Permits Issued
Fiscal Years 1990 Through 1992

Type of Licensee	Type of Game	Fiscal Years 1990	1991	1992
Commercial Establishment	Bingo	54	58	49
	Keno	52	47	44
	Bingo/Keno	11	10	6
	Subtotal	117	115	99
Exempt Organization	Bingo	60	62	89
	Keno	3	2	1
	Bingo/Keno	0	1	3
	Subtotal	63	65	93
	Total	180	180	192

Live card game table permits. A live card game table permit is required to conduct any legal card game involving gambling. The permit fee is $250 for the first table operating in an establishment and $500 for each additional table. Table 3.7 lists the number of live card game table permits issued from fiscal years 1990 through 1992.

TABLE 3.7
Number of Live Card Game Table Permits Issued
Fiscal Years 1990 Through 1992

Fiscal Year	First Table	Additional Tables	Total
1990	233	59	292
1991	240	47	287
1992	233	50	283

Card game tournament permits. An operator with at least one live card game table permit may conduct up to 12 live card game tournaments a year. Each tournament may be conducted for up to five consecutive days, and at least seven days must lapse between tournaments. In fiscal year 1990, the Gambling Control Division issued 45 tournament permits. This number increased to 53 permits in fiscal year 1991 and 57 in fiscal year 1992.

Calcutta pool permits. The Division issued 43 permits for Calcutta pools in fiscal year 1991 and 63 permits in fiscal year 1992. (A description of a Calcutta pool can be found on page 2.)

Casino nights. Authorization to conduct casino nights was effective July 1, 1991. In fiscal year 1991, 12 casino night permits were issued. (A description of a casino night can be found on page 3.)

IV. GAMBLING REVENUES

Gambling revenues are generated from three sources: taxes, permit fees, and license fees. This chapter describes these revenue sources, the amount collected from each source, and distribution of the revenue. A description of the permits and licenses issued by the Gambling Control Division and statistics on the number issued are contained in Chapter III.

A. Gambling Taxes

The Gambling Control Division collects taxes on the following gambling activities:

- video gambling machines;
- live bingo;
- live keno; and
- sports tab games.

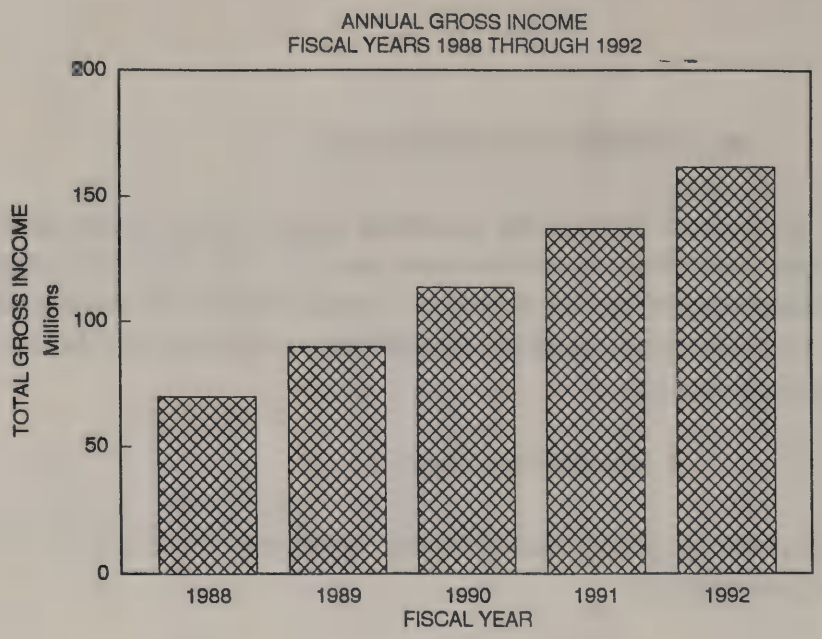
The following sections describe the taxes collected by the Division. A summary of the gambling taxes is contained in Appendix A.

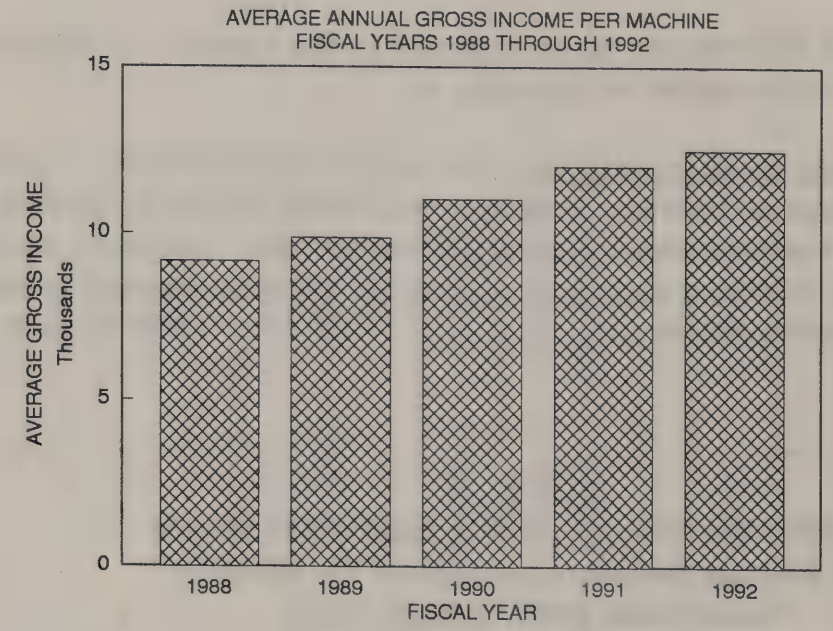
Video gambling machine gross income tax. The tax on video gambling machines is based on a percentage of machine gross income. Gross income is defined as the money put into a machine minus credits paid out in cash. Table 4.1 below and the graphs on the following page provide data on the total machine gross income and average gross income per machine for fiscal years 1988 through 1992.

TABLE 4.1
Total Video Gambling Machine Annual Gross Income
And Average Annual Gross Income Per Machine
Fiscal Years 1988 Through 1992

Fiscal Year	No. of Machines[1]	Total Annual Gross Income	Average Annual Gross Income Per Machine
1988	7,644	$ 70,026,913	$ 9,161
1989	9,095	89,943,693	9,889
1990	10,268	113,363,300	11,040
1991	11,390	137,044,407	12,032
1992	12,937	161,732,920	12,502

[1] Machines reporting income for tax purposes for fourth quarter in each fiscal year.





As illustrated above, the annual gross income for all machines in fiscal year 1988 was $70.0 million; this figure grew to $161.7 million in fiscal year 1992, a 131 percent increase. Average gross income per machine increased 36 percent during this same period, from $9,161 in fiscal year 1988 to $12,502 in fiscal year 1992.

The table on the following page pertains to video gambling machines that operated at the same location for an entire year during fiscal years 1991 and/or 1992; the data show the number of machines reporting annual gross income within various income categories.

TABLE 4.2
Number of Video Gambling Machines[1]
By Annual Gross Income Category
Fiscal Years 1991 and 1992

Annual Gross Income			Number of Machines FY 91	Number of Machines FY 92
$ 0	-	$ 500	7	12
501	-	1,000	30	39
1,001	-	2,000	156	239
2,001	-	3,000	305	421
3,001	-	4,000	479	477
4,001	-	5,000	491	602
		Total	**1,468**	**1,790**
$ 5,001	-	$ 6,000	508	559
6,001	-	7,000	491	567
7,001	-	8,000	452	515
8,001	-	9,000	420	475
9,001	-	10,000	414	421
		Total	**2,285**	**2,537**
$ 10,001	-	$ 15,000	1,364	1,651
15,001	-	20,000	810	935
20,001	-	25,000	488	595
25,001	-	30,000	288	396
30,001	-	35,000	211	254
35,001	-	40,000	125	170
40,001	-	45,000	93	120
45,001	-	50,000	70	90
50,001	-	55,000	57	72
55,001	-	60,000	48	55
60,001	-	65,000	40	57
65,001	-	70,000	23	41
70,001	-	75,000	25	29
75,001	-	80,000	21	20
80,001	-	85,000	16	16
85,001	-	90,000	7	14
90,001	-	95,000	4	3
95,001	-	100,000	6	5
100,001	-	110,000	1	4
		Total	**3,697**	**4,527**
Total machines (All categories)			**7,450**	**8,854**

[1] Includes machines operating in the same location for an entire year.

About half of the video gambling machines operating in fiscal year 1991 or 1992 had gross incomes of $10,000 or less. The greatest number of machines (2,285 and 2,537 for fiscal years 1991 and 1992, respectively) fall into the $5,001 to $10,000 income range.

Table 4.3 on the following page provides fiscal year 1991 and 1992 data on total video gambling machine gross income (i.e., money put into the machines minus credits paid out in cash) received by establishments that had at least one machine operating for 90 days or more in each quarter of the fiscal year.

TABLE 4.3
Number of Establishments[1]
By Annual Video Gambling Machine Gross Income
Fiscal Years 1991 and 1992

Annual Gross Income			Number of Establishments			
			FY 91	% of Total	FY 92	% of Total
$ 0	-	$ 1,000	7		6	
1,001	-	2,000	7		10	
2,001	-	3,000	17		14	
3,001	-	4,000	12		14	
4,001	-	5,000	14		13	
5,001	-	6,000	22		12	
6,001	-	7,000	17		19	
7,001	-	8,000	15		20	
8,001	-	9,000	11		13	
9,001	-	10,000	11		13	
10,001	-	11,000	17		15	
11,001	-	12,000	19		15	
12,001	-	13,000	25		12	
13,001	-	14,000	20		16	
14,001	-	15,000	19		12	
15,001	-	16,000	20		19	
16,001	-	17,000	20		17	
17,001	-	18,000	15		10	
18,001	-	19,000	22		17	
19,001	-	20,000	13		16	
20,001	-	21,000	18		15	
21,001	-	22,000	14		17	
22,001	-	23,000	14		16	
23,001	-	24,000	13		18	
24,001	-	25,000	17		13	
		Total	**399**	**34%**	**362**	**31%**
$ 25,001	-	$ 50,000	264		244	
50,001	-	75,000	183		179	
75,001	-	100,000	79		99	
		Total	**526**	**45%**	**522**	**45%**
$ 100,001	-	$ 125,000	60		58	
125,001	-	150,000	16		39	
150,001	-	175,000	22		19	
175,001	-	200,000	17		13	
200,001	-	225,000	17		17	
225,001	-	250,000	15		18	
250,001	-	275,000	14		9	
275,001	-	300,000	7		9	
300,001	-	400,000	23		39	
400,001	-	500,000	10		13	
500,001	-	600,000	12		14	
600,001	-	700,000	7		8	
700,001	-	800,000	7		9	
800,001	-	900,000	5		7	
900,001	-	1,000,000	0		3	
1,000,001	-	1,100,000	2		1	
1,100,001	-	1,200,000	3		2	
1,200,001	-	1,300,000	1		3	
1,300,001	-	1,400,000	1		3	
1,400,001	-	1,500,000	2		2	
>1,500,000			1		1	
		Total	**242**	**21%**	**287**	**24%**
		Grand Total	**1167**	**100%**	**1171**	**100%**

[1] Establishments with one or more machines operating for 90 days in each quarter.

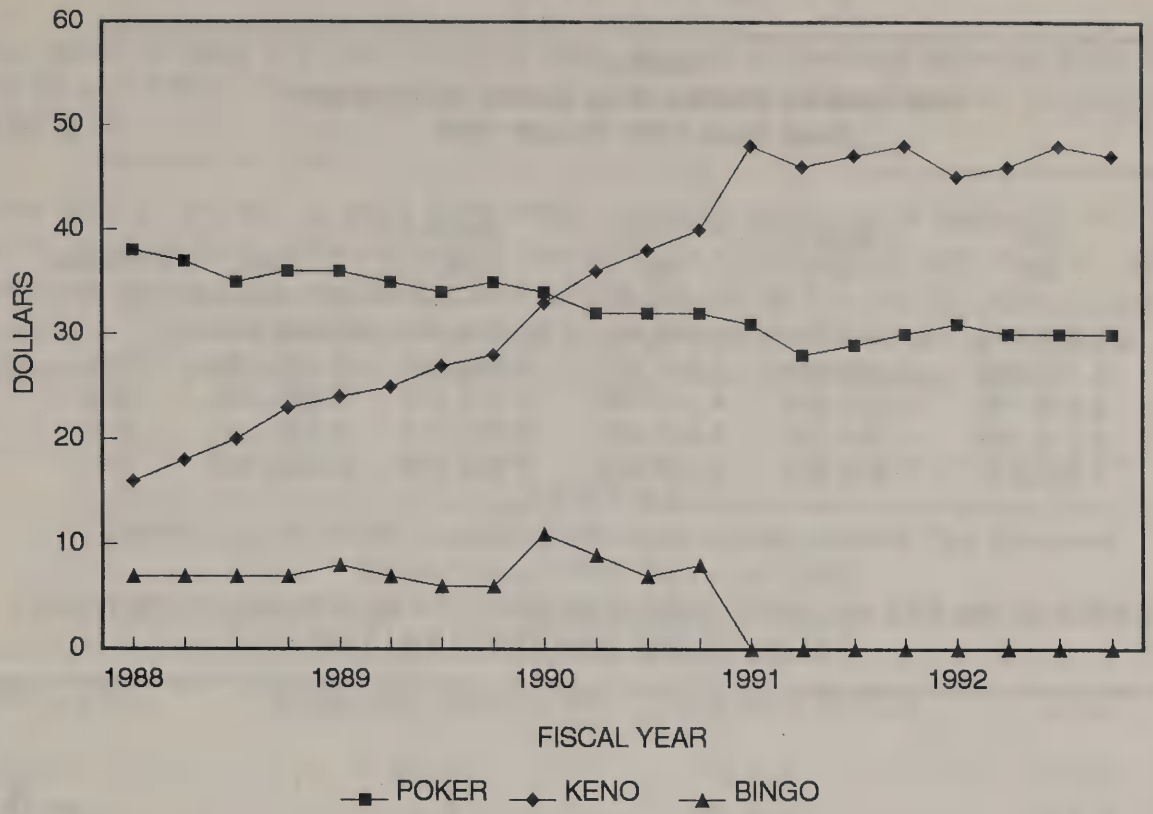
Table 4.4 below and the graph on the following page provide data on the average daily gross income for video gambling machines by machine type and by quarter for fiscal years 1988 through 1992.

TABLE 4.4
Average Daily Gross Income by Machine Type
Fiscal Years 1988 Through 1992

Fiscal Yr	Quarter	Poker	Keno	Bingo
1988	1st	$38	$16	$7
	2nd	37	18	7
	3rd	35	20	7
	4th	36	23	7
1989	1st	$36	$24	$8
	2nd	35	25	7
	3rd	34	27	6
	4th	35	28	6
1990	1st	$34	$33	$11
	2nd	32	36	9
	3rd	32	38	7
	4th	32	40	8
1991	1st	$31	$48	$-[1]
	2nd	28	46	-
	3rd	29	47	-
	4th	30	48	-
1992	1st	$31	$45	-
	2nd	30	46	-
	3rd	30	48	-
	4th	30	47	-

[1] No approved bingo machines operating in the state beginning first quarter of fiscal year 1991.

AVERAGE DAILY GROSS INCOME BY MACHINE TYPE (BY QUARTER)
FISCAL YEARS 1988 THROUGH 1992



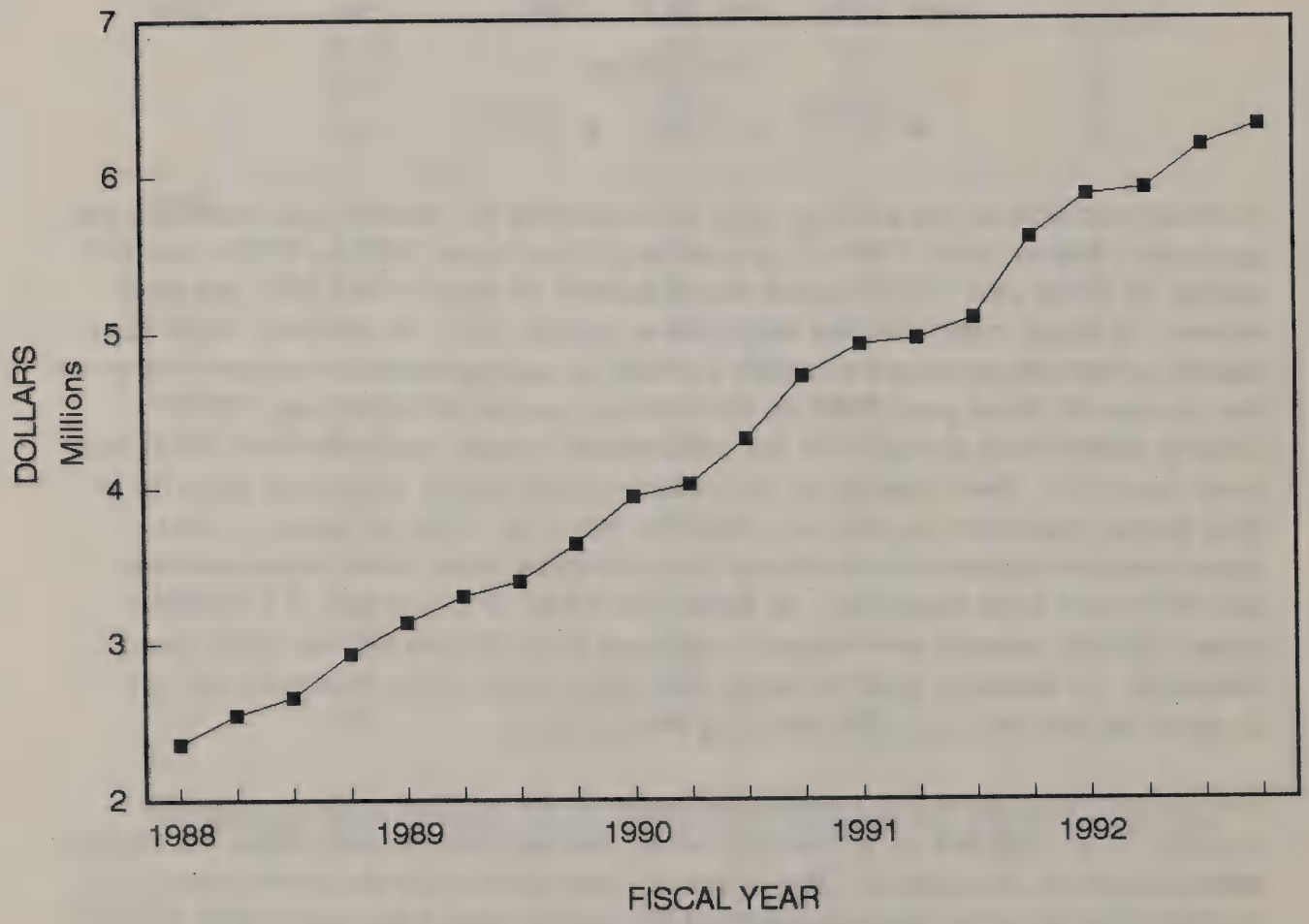
As illustrated above, the average daily gross income for video poker machines has gradually declined from $38 in first quarter of fiscal year 1988 to $28 in second quarter of fiscal year 1991. Since fourth quarter of fiscal year 1991, the daily income for poker machines has stabilized at around $30. In contrast, video keno machines have experienced a steady increase in daily gross income from $16 in first quarter of fiscal year 1988 to $48 in first quarter of fiscal year 1991. Several factors may account for the differences in daily gross between poker and keno machines. Keno machines, for instance, may attract more play because of their higher maximum payout (i.e, $800 for keno vs. $100 for poker). Also, poker machine income may be lower because there were more poker machines operating than keno machines. In fiscal year 1992, for example, 7,910 video poker machine permits were issued compared to 6,455 permits for video keno machines. In addition, prior to fiscal year 1990, many keno machines did not possess reliable and auditable metering mechanisms.

The tax on video gambling machines is equal to 15 percent of gross machine income. It is collected on a quarterly basis, and payment is due within 15 days after the end of the quarter. The following table and graph show the video gambling machine tax revenue collected by quarter from fiscal year 1988 through 1992.

TABLE 4.5
Video Gambling Machine Gross Income Tax Revenues
Fiscal Years 1988 Through 1992

Fiscal Year	First Qtr	Second Qtr	Third Qtr	Fourth Qtr	Total	% Change
1988	$2,360,145	$2,548,145	$2,656,831	$2,938,063	$10,504,037	-
1989	3,136,329	3,309,638	3,401,053	3,644,534	13,491,554	28%
1990	3,949,782	4,024,386	4,317,195	4,713,132	17,004,495	26%
1991	4,919,102	4,959,603	5,082,883	5,595,073	20,556,661	21%
1992	5,866,027	5,906,815	6,180,904	6,306,192	24,259,938	18%

VIDEO GAMBLING MACHINE GROSS INCOME TAX REVENUES (BY QUARTER)
FISCAL YEARS 1988 THROUGH 1992



As noted in Table 4.5, tax revenues have more than doubled between fiscal years 1988 and 1992. However, the annual rate of increase has declined during this period.

One-third of the tax revenue from video gambling machines is deposited into the state general fund. The remaining two-thirds is distributed to the county[17], city, or town where each machine is located for deposit in the county or municipal treasury. Table 4.6 lists the amount of tax revenue distributed to the state general fund and local governments in fiscal years 1988 through 1992.

TABLE 4.6
Distribution of Video Gambling Machine Gross Income Tax Revenue
Fiscal Years 1988 Through 1992
(In Millions)

Fiscal Year	State Gen. Fund (1/3)	Local Gov't. (2/3)	Total
1988	$3.5	$ 7.0	$10.5
1989	4.4	8.9	13.3
1990	5.7	11.3	17.0
1991	6.8	13.7	20.5
1992	8.1	16.1	24.2

Live bingo and keno taxes. From July 1, 1989, through June 30, 1991, the tax on live bingo and keno was equal to the greater of one percent of the gross proceeds from the game (i.e., gross revenue received minus prizes paid out) or five percent of the net game income (i.e., gross proceeds minus allowable expenses). In 1991, the Legislature eliminated the five percent tax on net income and retained the one percent tax on gross proceeds effective July 1, 1991.

The following groups are exempt from the live bingo and keno tax: nonprofit organizations qualified under 26 U.S.C. 501(c)(3), (4), (8), or (19); long-term care facilities; retirement homes; and senior citizen centers.

Live bingo and keno tax revenues are distributed to the county, city, or town in which the licensed game is located for deposit in the county or municipal

[17] A county receives income from those machines operating within its boundaries that are not located in an incorporated city or town.

treasury. Table 4.7 shows the live bingo and keno tax revenue collected for fiscal years 1990 through 1992.

TABLE 4.7
Live Bingo and Keno Tax Revenues
Fiscal Years 1990 Through 1992

Fiscal Year	Game Type	No. of Returns	Gross Proceeds Reported	Tax: @ 1%	Tax: @ 5%
1990	Bingo	57	$1,351,462	$13,517	$3,664
	Keno	59	1,486,962	13,897	3,660
	Totals	116	$2,838,424	$27,414	$7,324
1991	Bingo	68	$2,257,952	$19,710	$8,838
	Keno	56	1,795,333	17,408	1,643
	Totals	124	$4,053,285	$37,118	$10,481
1992	Bingo	53	$2,269,708	$22,697	-[1]
	Keno	46	1,646,105	16,461	-
		99	$3,915,813	$39,158	-

[1] The 5% tax on net income was eliminated effective July 1, 1992.

According to the total gross proceeds reported, the average annual gross proceeds generated per bingo game was $23,710 in fiscal year 1990; the average per keno game was $25,203. These figures increased to $42,825 for bingo and $35,785 for keno in fiscal year 1992.

Sports tab card tax. A licensed sports tab card manufacturer who sells sports tabs to a licensed operator must collect from the operator, at the time of sale, a tax of $1 for each 100 sports tabs sold. Within 15 days after the end of each calendar quarter, the manufacturer must submit to the Gambling Control Division the tax revenue collected. The Division retains the tax revenues for administrative purposes. In fiscal year 1992, the first year that the tax was effective, the Division received $8,642 in tax revenues.

B. Gambling Permit Fees

The Gambling Control Division collects permit fees on the following gambling activities:

- video gambling machines;
- live bingo and keno games;
- live card game tables;
- card game tournaments; and
- casino nights.

The following sections describe the permit fees collected by the Division. A summary of these gambling permits is contained in Appendix B.

Video gambling machine permit fees. The annual permit fee for a video gambling machine is $200. Effective July 1, 1991, the fee was prorated on a quarterly basis. One-half of the permit fee is retained by the Gambling Control Division. The remainder is distributed on a quarterly basis to the county, city, or town where each machine is located for deposit in the county or municipal treasury. The table on the following page shows the video gambling machine permit fee revenues collected for fiscal years 1990 through 1992.

TABLE 4.8
Video Gambling Machine Permit Fee Revenues
Fiscal Years 1990 Through 1992

Fiscal Year	Qtr.	Amount Collected	Amt. to Local Gov't. & Gambling Control Division (each)
1990	1st	$1,880,600	$ 940,300
	2nd	44,800	22,400
	3rd	141,800	70,900
	4th	126,600	63,000
	Total	$2,193,800	$1,096,600
1991	1st	$2,060,800	$1,030,400
	2nd	186,800	93,400
	3rd	179,800	89,900
	4th	103,000	51,500
	Total	$2,530,400	$1,254,200
1992	1st	$2,350,500	$1,175,250
	2nd	116,850	58,425
	3rd	96,500	48,250
	4th	45,400	22,700
	Total	$2,609,250	$1,304,625

Live bingo and keno game permit fees. Before July 1, 1991, the annual permit fee for conducting a live bingo game, keno game, or both games was $500. The fee was reduced to $250 for permits issued on or after July 1, 1991. Nonprofit organizations qualified under 26 U.S.C. 501(c)(3), (4), (8), or (19) that qualified for the federal exemption on or before January 15, 1989; long-term care facilities; retirement homes; and senior citizen centers are exempt from the permit fee. Nonprofit organizations that qualified for the federal exemption after January 15, 1989, are exempt from one-half of the fee (i.e., $125). The Gambling Control Division retains the fee for administrative purposes. Table 4.9 on the following page lists the live bingo and keno fees collected for fiscal years 1990 through 1991.

TABLE 4.9
Live Bingo and Keno Permit Fee Revenues
Fiscal Years 1990 Through 1992[1]

Fiscal Year	Bingo	Keno	Both	Total
1990	$27,000	$26,000	$5,500	$58,500
1991	29,500	24,500	6,000	60,000
1992	12,250	11,000	1,500	27,750

[1] The permit fee was $500 for fiscal years 1990 and 1991 and $250 for fiscal year 1992.

Live card game table permits fees. The annual permit fee for a live card game is $250 for the first table operating in an establishment and $500 for each additional table. The Gambling Control Division retains $100 of the fee for administrative purposes. The remainder is distributed on a quarterly basis to the county, city, or town where the card game table is located for deposit in the county or municipal treasury. The table on the following page lists the card table permit fees collected for fiscal years 1990 through 1992.

TABLE 4.10
Live Card Game Table Permit Fee Revenues
Fiscal Years 1990 Through 1992

Fiscal Year	Qtr.	Amount Collected	DISTRIBUTION: Local Gov't.	Gambling Control Division
1990	1st	$73,000	$48,900	$24,100
	2nd	5,000	3,100	1,900
	3rd	7,500	5,100	2,400
	4th	2,500	1,600	900
	Total	$88,000	$58,700	$29,300
1991	1st	$67,500	$44,500	$23,000
	2nd	8,000	5,000	3,000
	3rd	4,750	3,150	1,600
	4th	3,250	2,150	1,100
	Total	$83,500	$54,800	$28,700
1992	1st	$69,250	$45,850	$23,400
	2nd	6,500	4,300	2,200
	3rd	4,000	2,600	1,400
	4th	3,500	2,050	1,450
	Total	$83,250	$54,800	$28,450

Permit fees for occasional gambling activities. In addition to the annual permit fees addressed above, the Gambling Control Division collects permit fees for card game tournaments and casino nights. The fee for a tournament permit is $10; a casino night permit costs $25. The Division retains the permit fees for administrative purposes.

The Division collected $530 in card game tournament permit fees in fiscal year 1991 and $570 in fiscal year 1992. In fiscal year 1992, the first year that casino nights were authorized, $300 in permit fees were collected for this fundraising activity.

C. Gambling License Fees

The Gambling Control Division charges a processing and/or license fee for issuing the following licenses:

- operator;
- card dealer;
- card room contractor;
- manufacturer-distributor;
- manufacturer of illegal gambling devices;
- sports tab card manufacturer;
- electronic live bingo and keno equipment manufacturer; and
- antique slot machine dealer.

Fees charged for issuing these licenses are retained by the Division to cover expenses incurred in issuing the licenses. A summary of gambling licenses is contained in Appendix C.

Operator's license fees. Effective July 1, 1991, the Gambling Control Division began collecting a fee for processing an operator's licence application to cover the actual cost of determining whether the applicant qualified for licensure. An applicant is required to pay a deposit on the processing fee when the application is submitted. The deposit is $500 for a partnership or corporation; $400 for a sole proprietorship; and $50 for a nonprofit organization. The Division refunds any overpayment of the processing fee or collects an amount sufficient to reimburse the Division for any underpayment of actual costs. The Division collected $92,381 in processing fees in fiscal year 1992.

Card dealer's license fees. A first-time applicant for a card dealer's license must pay a license fee of $75. Thereafter, a license may be renewed annually for $25. The Gambling Control Division collected $43,165 in card dealer's license fees in fiscal year 1990, $17,710 in fiscal year 1991, and $22,585 in fiscal year 1992.

Card room contractor's license fees. Effective July 1, 1991, the Gambling Control Division began issuing card room contractor's licenses. A fee of $150 is charged for the license. In fiscal year 1992, the Division collected $1,350 in card room contractor's license fees.

Manufacturer's and distributor's license fees. The Gambling Control Division charges $1,000 annually for issuing each of the following licenses: manufacturer-

distributor's, manufacturer of illegal gambling devices,[18] sports tab card manufacturer, and electronic live bingo and keno equipment manufacturer. In addition, the applicant must pay a one-time processing fee equal to the actual cost of determining whether the applicant qualifies for licensure. A $1,000 deposit on the processing fee is required at the time of application. The applicant receives a refund of any overpayment of the processing fee or must pay an additional amount to reimburse the Division for any underpayment of actual costs. For these types of licenses, the Division collected $189,355 in licensing and processing fees in fiscal year 1990, $88,000 in fiscal year 1991, and $173,848 in fiscal year 1992.

Antique slot machine dealer's license. The cost of an antique slot machine dealer's license is $50 per year. The Gambling Control Division was authorized to begin issuing these licenses on July 1, 1991. No licenses were issued in fiscal years 1991 and 1992.

D. Distribution of Gambling Revenues

As noted in the previous sections, gambling revenues are distributed to three entities: local governments, the gambling control special revenue account; and the state general fund. The table and graph on the following pages provide data on the distribution of taxes, permit fees, and license fees for fiscal year 1992.

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[18] The annual license fee and processing fee for a license to manufacture illegal gambling devices is waived if the applicant has a manufacturer-distributor's license.

TABLE 4.11
Distribution of Gambling Revenues
Fiscal Year 1992

Revenue Source	Total Distributed	Local Gov't.	Gambling Control Account	General Fund
VGM*[1] tax	$23,528,092	$15,674,386	0	$7,853,706
Bingo/keno tax[2]	48,116	48,116	0	0
Sports tab tax	6,912	0	6,912	0
VGM* permit fees	2,607,400	1,303,700	1,303,700	0
Bingo/keno permit fees	24,625	0	24,625	0
Card table permit fees[3]	83,820	54,950	28,870	0
Casino night permit fees	300	0	300	0
Operator lic. fees	92,381	0	92,381	0
Card dealer lic. fees	22,585	0	22,585	0
Card room contractor fees	3,750	0	3,750	0
Manufacturer[4] lic. fees	173,848	0	173,848	0
Totals	$26,591,829	$17,081,152	$1,656,971	$7,853,706

*VGM = Video gambling machine

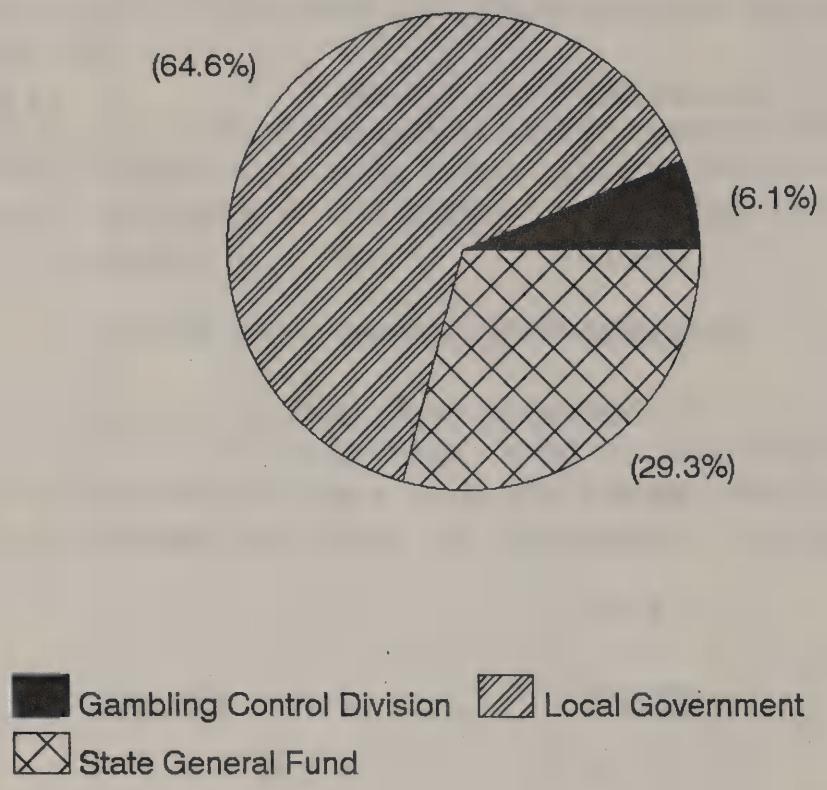
[1] Includes tax and penalties for fourth quarter of fiscal year 1991 and first through third quarters of fiscal year 1992.

[2] Includes fiscal year 1991 tax and penalty.

[3] Includes $570 in card game tournament permit fees.

[4] Includes fees from the following licenses: manufacturer-distributor's, manufacturer of illegal gambling devices, sports tab card manufacturer, and manufacturer of electronic live bingo and keno equipment.

DISTRIBUTION OF GAMBLING REVENUES



As reflected in the above graph, local governments are the biggest recipient of gambling revenues. The following table provides data on the type and amount of gambling revenue paid for quarters ending in fiscal year 1992 and distributed to counties, cities, and towns. Also included is information on these entities' general fund appropriations and the percentage amount that gambling revenues bear to the appropriations.[19]

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[19] Data regarding local government general fund appropriations was obtained from the Local Government Center at Montana State University.

TABLE 4.12
Distribution of Gambling Revenues to Local Governments
Fiscal Year 1992

County Cities	Total Gen Fund	Video Gamb Machine Tax	Video Gamb Machine Permit Fees	Card Tab Perm Fees	Total Gam Rev.	% of Total
01 BUTTE/SILVERBOW	$7,636,153	$1,008,151	$79,825	$2,000	$1,089,976	14.3%
WALKERVILLE	$48,642	$4,673	$975	$0	$5,648	11.6%
02 CASCADE CO	$5,371,221	$192,219	$30,850	$150	$223,219	4.2%
BELT	$99,291	$15,059	$2,300	$0	$17,359	17.5%
CASCADE	$34,258	$12,239	$1,950	$0	$14,189	41.4%
GREAT FALLS	$10,641,575	$1,706,020	$106,775	$4,400	$1,817,195	17.1%
NEIHART	$17,000	$731	$400	$0	$1,131	6.7%
03 YELLOWSTONE CO	$9,912,609	$205,590	$18,300	$300	$224,190	2.3%
BILLINGS	$17,939,211	$2,904,908	$156,400	$7,300	$3,068,608	17.1%
BROADVIEW	NA	$6,071	$600	$0	$6,671	NA
LAUREL	$1,420,704	$185,395	$13,400	$150	$198,945	14.0%
04 MISSOULA CO	$9,412,876	$277,381	$36,600	$150	$314,131	3.3%
MISSOULA	$12,722,134	$1,380,237	$77,125	$6,000	$1,463,362	11.5%
05 LEWIS & CLARK C	$4,411,182	$132,062	$18,850	$450	$151,362	3.4%
EAST HELENA	$423,075	$46,010	$3,050	$0	$49,060	11.6%
HELENA	$6,575,888	$857,317	$44,650	$1,500	$903,467	13.7%
06 GALLATIN CO	$3,725,698	$96,929	$10,825	$300	$108,054	2.9%
BELGRADE	$598,164	$89,616	$8,400	$300	$98,316	16.4%
BOZEMAN	$4,940,659	$379,727	$29,925	$850	$410,502	8.3%
MANHATTAN	$143,525	$19,182	$2,000	$0	$21,182	14.8%
THREE FORKS	$163,624	$20,747	$2,225	$150	$23,122	14.1%
WEST YELLOWSTON	$1,229,266	$58,333	$5,500	$550	$64,383	5.2%
07 FLATHEAD CO	$5,815,408	$301,278	$37,675	$600	$339,553	5.8%
COLUMBIA FALLS	$723,601	$118,254	$9,200	$150	$127,604	17.6%
KALISPELL	$3,632,178	$738,247	$34,150	$3,900	$776,297	21.4%
WHITEFISH	$1,553,210	$239,913	$14,700	$2,250	$256,863	16.5%
08 FERGUS CO	$1,462,864	$43,266	$5,050	$300	$48,616	3.3%
DENTON	$43,509	$693	$100	$0	$793	1.8%
GRASS RANGE	$4,612	$2,950	$225	$0	$3,175	68.8%
LEWISTOWN	$1,283,230	$147,237	$16,075	$350	$163,662	12.8%
MOORE	$18,355	$2,027	$400	$0	$2,427	13.2%
WINIFRED	NA	$1,957	$400	$0	$2,357	NA
09 POWDER RIVER CO	$1,307,971	$58	$100	$0	$158	0.0%
BROADUS	$102,536	$17,659	$2,150	$300	$20,109	19.6%
10 CARBON CO	$1,396,129	$26,057	$5,300	$150	$31,507	2.3%
BEARCREEK	$26,520	$467	$100	$0	$567	2.1%
BRIDGER	$120,255	$24,377	$2,525	$0	$26,902	22.4%
FROMBERG	$63,258	$8,180	$1,075	$0	$9,255	14.6%
JOLIET	$63,590	$8,262	$1,200	$0	$9,462	14.9%
RED LODGE	$635,381	$54,177	$8,850	$450	$63,477	10.0%
11 PHILLIPS CO	$1,559,768	$17,382	$2,875	$700	$20,957	1.3%
DODSON	$17,658	$2,180	$600	$150	$2,930	16.6%

County Cities	Total Gen Fund	Video Gamb Machine Tax	Video Gamb Machine Permit Fees	Card Tab Perm Fees	Total Gam Rev.	% of Total
MALTA	$536,212	$46,671	$4,850	$750	$52,271	9.7%
SACO	$35,043	$3,434	$600	$0	$4,034	11.5%
12 HILL CO	$2,132,948	$56,749	$7,700	$150	$64,599	3.0%
HAVRE	$2,212,117	$283,904	$22,475	$1,400	$307,779	13.9%
HINGHAM	$17,350	$0	$0	$0	$0	
13 RAVALLI CO	$2,388,779	$68,944	$11,000	$150	$80,094	3.4%
DARBY	$110,320	$8,552	$1,150	$300	$10,002	9.1%
HAMILTON	$818,408	$133,210	$11,175	$700	$145,085	17.7%
PINESDALE	$16,400	$0	$0	$0	$0	0.0%
STEVENSVILLE	$231,010	$24,244	$2,350	$300	$26,894	11.6%
14 CUSTER CO	$1,204,936	$22,792	$3,525	$300	$26,617	2.2%
ISMAY	NA	$0				
MILES CITY	$2,186,247	$258,677	$14,600	$1,450	$274,727	12.6%
15 LAKE CO	$1,898,899	$45,456	$9,625	$450	$55,531	2.9%
POLSON	$748,523	$91,907	$10,700	$300	$102,907	13.7%
RONAN	$371,731	$39,465	$4,850	$0	$44,315	11.9%
ST. IGNATIUS	$77,381	$630	$300	$0	$930	1.2%
16 DAWSON CO	$1,525,176	$41,304	$3,200	$0	$44,504	2.9%
GLENDIVE	$1,237,704	$169,653	$13,650	$450	$183,753	14.8%
RICHEY	$32,720	$3,204	$300	$0	$3,504	10.7%
17 ROOSEVELT CO	$2,379,829	$36,039	$3,000	$150	$39,189	1.6%
BAINVILLE	NA	$17,504	$1,875	$0	$19,379	NA
BROCKTON	$6,070	$2,412	$600	$0	$3,012	49.6%
CULBERTSON	$166,638	$11,017	$1,000	$0	$12,017	7.2%
FROID	$49,685	$9,420	$775	$0	$10,195	20.5%
POPLAR	$170,763	$42,079	$5,325	$0	$47,404	27.8%
WOLF POINT	$718,790	$51,495	$5,725	$150	$57,370	8.0%
18 BEAVERHEAD CO	$1,405,283	$15,645	$3,000	$150	$18,795	1.3%
DILLON	$525,910	$100,580	$12,075	$450	$113,105	21.5%
LIMA	$42,546	$4,902	$700	$0	$5,602	13.2%
19 CHOUTEAU CO	$1,319,923	$15,905	$2,050	$150	$18,105	1.4%
BIG SANDY	$177,750	$28,474	$2,350	$300	$31,124	17.5%
FORT BENTON	$362,157	$17,409	$2,675	$0	$20,084	5.5%
GERALDINE	$43,140	$2,359	$650	$0	$3,009	7.0%
20 VALLEY CO	$1,841,942	$46,514	$5,275	$0	$51,789	2.8%
GLASGOW	$977,115	$53,622	$5,875	$600	$60,097	6.2%
NASHUA	$60,720	$4,863	$525	$0	$5,388	8.9%
OPHEIM	$21,930	$5,921	$575	$0	$6,496	29.6%
FORT PECK	$383,479	$311	$300	$0	$611	0.2%
21 TOOLE CO	$1,714,435	$54,695	$6,050	$0	$60,745	3.5%
KEVIN	$23,442	$3,989	$400	$0	$4,389	18.7%
SHELBY	$726,378	$89,305	$9,750	$600	$99,655	13.7%

County Cities	Total Gen Fund	Video Gamb Machine Tax	Video Gamb Machine Permit Fees	Card Tab Perm Fees	Total Gam Rev.	% of Total
SUNBURST	$85,450	$7,369	$850	$0	$8,219	9.6%
22 BIG HORN CO	$3,935,261	$2,796	$800	$0	$3,596	0.1%
HARDIN	$571,899	$132,727	$8,750	$0	$141,477	24.7%
LODGE GRASS	NA	$0	$0	$0	$0	NA
23 MUSSELSHELL CO	$317,301	$9,915	$2,175	$0	$12,090	3.8%
MELSTONE	$9,479	$1,943	$225	$0	$2,168	22.9%
ROUNDUP	$263,417	$39,730	$4,525	$150	$44,405	16.9%
24 BLAINE CO	$1,310,611	$5,014	$850	$0	$5,864	0.4%
CHINOOK	$343,550	$37,219	$4,450	$0	$41,669	12.1%
HARLEM	$257,650	$15,149	$1,700	$150	$16,999	6.6%
25 MADISON CO	$1,424,598	$27,492	$6,675	$300	$34,467	2.4%
ENNIS	$120,300	$24,236	$2,425	$150	$26,811	22.3%
SHERIDAN	$105,086	$6,524	$1,300	$150	$7,974	7.6%
TWIN BRIDGES	$182,725	$5,177	$875	$0	$6,052	3.3%
VIRGINIA CITY	$101,632	$6,554	$1,100	$0	$7,654	7.5%
26 PONDERA CO	$1,285,160	$20,258	$2,450	$0	$22,708	1.8%
CONRAD	$532,817	$38,265	$5,475	$150	$43,890	8.2%
VALIER	$101,892	$6,193	$1,750	$0	$7,943	7.8%
27 RICHLAND CO	$1,815,309	$22,505	$2,375	$0	$24,880	1.4%
FAIRVIEW	$106,325	$20,752	$1,450	$150	$22,352	21.0%
SIDNEY	$981,358	$162,859	$13,750	$150	$176,759	18.0%
28 POWELL CO	$986,751	$20,657	$3,200	$150	$24,007	2.4%
DEER LODGE	$512,800	$73,058	$9,200	$150	$82,408	16.1%
29 ROSEBUD CO	$2,973,247	$78,493	$8,500	$150	$87,143	2.9%
FORSYTH	$564,993	$43,494	$5,225	$150	$48,869	8.6%
30 ANACONDA/D.LODG	$3,019,371	$277,543	$28,100	$600	$306,243	10.1%
31 TETON CO	$970,384	$5,912	$1,250	$0	$7,162	0.7%
CHOTEAU	$121,673	$31,744	$4,050	$0	$35,794	29.4%
DUTTON	$64,105	$5,031	$525	$150	$5,706	8.9%
FAIRFIELD	$155,305	$14,919	$1,775	$300	$16,994	10.9%
32 STILLWATER CO	$1,254,945	$36,341	$4,500	$0	$40,841	3.3%
COLUMBUS	$238,507	$32,738	$2,975	$0	$35,713	15.0%
33 TREASURE CO	$366,477	$0	$0	$0	$0	0.0%
HYSHAM	$52,246	$5,140	$600	$0	$5,740	11.0%
34 SHERIDAN CO	$1,636,521	$5,428	$1,975	$0	$7,403	0.5%
MEDICINE LAKE	$68,500	$5,336	$1,500	$150	$6,986	10.2%
OUTLOOK	$17,150	$151	$100	$0	$251	1.5%
PLENTYWOOD	$423,359	$56,518	$8,525	$1,400	$66,443	15.7%
WESTBY	$51,840	$6,743	$1,200	$0	$7,943	15.3%

County Cities	Total Gen Fund	Video Gamb Machine Tax	Video Gamb Machine Permit Fees	Card Tab Perm Fees	Total Gam Rev.	% of Total
35 SANDERS CO	$1,575,154	$33,111	$5,450	$0	$38,561	2.4%
HOT SPRINGS	$76,276	$9,663	$1,000	$0	$10,663	14.0%
PLAINS	$172,105	$23,703	$2,825	$0	$26,528	15.4%
THOMPSON FALLS	$223,235	$42,533	$3,350	$150	$46,033	20.6%
36 JUDITH BASIN CO	$556,584	$6,955	$1,600	$300	$8,855	1.6%
HOBSON	$49,000	$6,001	$750	$150	$6,901	14.1%
STANFORD	$64,000	$5,882	$925	$150	$6,957	10.9%
37 DANIELS CO	$456,533	$3,925	$1,025	$0	$4,950	1.1%
FLAXVILLE	NA	$7,913	$1,225	$0	$9,138	NA
SCOBEY	$202,470	$46,121	$4,725	$300	$51,146	25.3%
38 GLACIER CO	$2,167,968	$4,293	$200	$0	$4,493	0.2%
BROWNING	$52,630	$0	$0	$0	$0	0.0%
CUT BANK	$606,546	$87,335	$7,550	$150	$95,035	15.7%
39 FALLON CO	$2,302,075	$940	$200	$0	$1,140	0.0%
BAKER	$537,321	$34,105	$5,250	$300	$39,655	7.4%
PLEVNA	$23,805	$480	$100	$0	$580	2.4%
40 SWEET GRASS CO	$552,191	$4,188	$675	$0	$4,863	0.9%
BIG TIMBER	$350,950	$29,555	$3,700	$150	$33,405	9.5%
41 MCCONE CO	$623,136	$1,452	$250	$0	$1,702	0.3%
CIRCLE	$207,086	$18,275	$2,625	$0	$20,900	10.1%
42 CARTER CO	$513,462	$2,641	$300	$300	$3,241	0.6%
EKALAKA	$49,110	$6,461	$725	$0	$7,186	14.6%
43 BROADWATER CO	$656,443	$28,290	$4,700	$0	$32,990	5.0%
TOWNSEND	$249,915	$39,801	$4,700	$150	$44,651	17.9%
44 WHEATLAND CO	$466,952	$6,322	$1,525	$0	$7,847	1.7%
HARLOWTON	$69,444	$19,801	$2,950	$0	$22,751	32.8%
JUDITH GAP	NA	$2,669	$400	$0	$3,069	NA
45 PRAIRIE CO	$368,612	$893	$400	$0	$1,293	0.4%
TERRY	$144,050	$7,126	$1,700	$0	$8,826	6.1%
46 GRANITE CO	$637,420	$11,683	$2,375	$150	$14,208	2.2%
DRUMMOND	$61,699	$10,604	$1,225	$450	$12,279	19.9%
PHILIPSBURG	$129,402	$15,809	$1,700	$150	$17,659	13.6%
47 MEAGHER CO	$387,741	$8,050	$1,550	$0	$9,600	2.5%
WHITE SULPHUR S	$147,895	$25,197	$3,300	$150	$28,647	19.4%
48 LIBERTY CO	$618,074	$1,150	$200	$0	$1,350	0.2%
CHESTER	$52,003	$11,985	$1,750	$150	$13,885	26.7%
49 PARK CO	$1,359,808	$111,458	$12,250	$600	$124,308	9.1%

County Cities	Total Gen Fund	Video Gamb Machine Tax	Video Gamb Machine Permit Fees	Card Tab Perm Fees	Total Gam Rev.	% of Total
CLYDE PARK	$23,260	$7,140	$1,200	$0	$8,340	35.9%
LIVINGSTON	$1,857,467	$140,201	$14,475	$1,000	$155,676	8.4%
50 GARFIELD CO	$466,701	$2,559	$400	$0	$2,959	0.6%
JORDAN	$121,870	$7,083	$825	$150	$8,058	6.6%
51 JEFFERSON CO	$1,844,273	$58,146	$5,550	$0	$63,696	3.5%
BOULDER	$142,292	$22,482	$3,700	$0	$26,182	18.4%
WHITEHALL	$180,053	$33,341	$4,650	$0	$37,991	21.1%
52 WIBAUX CO	$1,480,420	$731	$300	$0	$1,031	0.1%
WIBAUX	$159,271	$12,197	$1,700	$0	$13,897	8.7%
53 GOLDEN VALLEY C	$284,801	$1,896	$475	$0	$2,371	0.8%
LAVINA	$18,460	$205	$100	$0	$305	1.7%
RYEGATE	$60,000	$8,759	$1,125	$0	$9,884	16.5%
54 MINERAL CO	$727,710	$110,141	$6,100	$150	$116,391	16.0%
ALBERTON	$29,790	$4,607	$1,550	$0	$6,157	20.7%
SUPERIOR	$131,144	$40,347	$4,250	$0	$44,597	34.0%
55 PETROLEUM CO	$224,850	$0	$0	$0	$0	0.0%
WINNETT	$47,114	$3,551	$775	$150	$4,476	9.5%
56 LINCOLN CO	$2,675,701	$263,310	$16,900	$1,400	$281,610	10.5%
EUREKA	$57,072	$64,745	$6,775	$150	$71,670	125.6%
LIBBY	$531,360	$88,598	$10,175	$150	$98,923	18.6%
REXFORD	$17,173	$7,505	$1,100	$0	$8,605	50.1%
TROY	$183,903	$36,980	$3,900	$300	$41,180	22.4%
	$203,502,391	$16,149,294	$1,304,625	$54,850	$17,508,769	

In fiscal year 1992, gambling revenues amounted to approximately 8.6 percent of all local government general fund revenue. Among those counties receiving gambling revenues, the percentage amount of general fund revenue attributable to gambling revenues ranged from less than 0.1 percent for Powder River and Fallon Counties to 16 percent for Mineral County. Likewise, the percentage amount of general fund revenue attributable to gambling revenues for cities ranged from 0.2 percent for Fort Peck to nearly 69 percent for Grass Range. In total, gambling revenues comprise a larger share of city general fund revenue (14.4 percent) than county general fund revenue (3.8 percent).

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V. DIVISION ACTIVITIES

A. Introduction

The Gambling Control Division, as established in July 1989, consisted of two bureaus (i.e., Investigation; Licensing and Tax), an audit program, and an administrative unit. In an effort to improve delivery of services, the Division reorganized in September 1991. The former Licensing and Tax Bureau was divided into two sections, Licensing and Technical Services. The Bureau's tax functions were transferred to the audit program, which then became the Tax and Audit Section.

In addition to reorganizing sections, the Division implemented a regional plan in March 1992, involving field office personnel and licensing staff in the Helena office. The purpose of the regional approach was to form a team who could work together to assist licensees in a given geographic area. The state was divided into three districts: western,[20] northern,[21] and southern[22]. A revenue field agent, a licensing specialist in Helena, a district investigation supervisor, and three to four investigators were then assigned to each district.

Legislative approval in 1991 for hiring five more staff persons allowed the Division to implement the regional plan. An investigator was hired to staff a field office in Kalispell. Another investigator was added to the Billings office. The Division hired a revenue agent to work out of the Missoula office to serve the western district; another agent was transferred from Helena to Great Falls. The remaining new positions, a gambling device inspector and a data processing clerk, were not filled until fiscal year 1993 for vacancy savings reasons.

Early indications are that the reorganization, regionalization, and additional staff has resulted in the desired effect of increasing efficiency and improving performance within the agency. The remainder of this chapter discusses the activities of the various Division work units.

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[20] The western district consists of Lincoln, Flathead, Sanders, Lake, Mineral, Missoula, Ravalli, Lewis and Clark, Powell, Jefferson, Granite, Deer Lodge, Silver Bow, and Beaverhead Counties.

[21] The northern district consists of Glacier, Toole, Liberty, Hill, Blaine, Pondera, Chouteau, Teton, Cascade, Judith Basin, Phillips, Valley, Daniels, Sheridan, Roosevelt, Fergus, Petroleum, Garfield, McCone, and Richland Counties.

[22] The southern district consist of Meagher, Broadwater, Wheatland, Madison, Gallatin, Park, Sweet Grass, Golden Valley, Musselshell, Rosebud, Stillwater, Yellowstone, Treasure, Carbon, Big Horn, Dawson, Prairie, Wibaux, Custer, Fallon, Powder River, and Carter Counties.

B. Licensing

The Licensing Section, consisting of a section supervisor, three licensing specialists, and an administrative clerk, is responsible for processing and issuing gambling licenses and permits and providing information and assistance to licensees. The Section also collects and distributes license and permit fees and maintains licensee records. The Section's activities during fiscal years 1991 and 1992 are described in Table 5.1.

TABLE 5.1
Licensing Section Activities
Fiscal Years 1991 and 1992

	FY 1991	FY 1992
Licenses Issued	2,813	2,450
Game Permits Issued	13,191	14,972
Fees Collected	$2,613,900	$2,692,500

C. Tax and Audit

The Tax and Audit Section consists of a Section supervisor, two compliance specialists, and four revenue agents. The revenue agents are located in Missoula, Billings, Great Falls, and Helena. The Section assists in licensing applicants by conducting financial background reviews. It is also collects and distributes gambling taxes and conducts office and field tax audits. Another duty of the section is to provide support to the Investigation Bureau in interpreting and analyzing documents seized from suspected illegal gambling activities. Additionally, the Section provides budget management services for the Division. Statistics relating to the Section's activities are provided on the following page.

TABLE 5.2
Tax and Audit Section Activities
Fiscal Years 1991 and 1992

	FY 1991	FY 1992
Financial reviews of license renewals	403	460
Financial reviews of new applications	NA[1]	389
Taxes collected/distributed (in millions)	$20.56	$24.26
Desk audits conducted	978	1,365
Field audits conducted	18	24

[1] NA = Not Available

In fiscal years 1991 and 1992, office-based audits resulted in the assessment of $189,689 in additional taxes and $18,969 in late payment penalties. During this same period, the Section assessed $89,120 in additional taxes and $83,245 in late payment penalties as a result of field audits.

D. Technical Services

A primary duty of the Technical Services Section, which consists of a supervisor and information systems specialist, is to test prototypes of video gambling machines before the machines are placed and operated in the state. The Section also tests modifications to approved machines. Other Section responsibilities include providing technical assistance to the Investigation Bureau and maintaining the Division's computer system.

In fiscal year 1991, the Section tested eight new models and 240 modifications to approved models. Seven new models and 229 modifications were tested in fiscal year 1992. On an average, it takes 70 days for the Technical Services Section to examine and grant or deny approval of a new video gambling machine. The average testing and approval time for a substantial machine modification is 25 days. Cosmetic modifications are approved on a next-day basis.

E. Investigations

Before a gambling license is issued, the Investigation Bureau conducts a criminal background check on the applicant and inspects the proposed gambling establishment. The Division also conducts routine inspections of licensed establishments. Other Bureau duties include evaluating variations of legal gambling activities submitted for approval, providing local law enforcement training, and investigating criminal activity. Three Bureau employees work in the Helena office: a Bureau chief, administrative assistant and word processing technician. Nine investigators are assigned to eight field offices;[23] the field offices are combined into three districts, each of which is managed by a district supervisor. Statistics on Bureau activities are contained in Table 5.3.

TABLE 5.3
Investigation Bureau Activities
Fiscal Years 1991 and 1992

	FY 1991	FY 1992
License investigations conducted	245	761
Licensee criminal background investigations conducted	1517	1681
Premises inspections conducted	357	459
Video gambling machines inspected	665	508
Civil correction notices issued	268	156
Civil violation notices issued	38	20
Criminal investigations conducted	456	433

F. Administration

The administrative unit, which consists of the Division administrator, staff attorney, administrative officer, administrative secretary, and receptionist, manages the over-all operations of the Division.

[23] The field offices are located in Kalispell, Missoula, Helena, Butte, Glasgow, Great Falls, Billings, and Bozeman.

During the biennium, the administrative unit oversaw adoption of extensive administrative rules. The rules, which became effective in October 1991, implemented statutory changes adopted by the 1991 Legislature and addressed such subjects as transfer of ownership interest, authorized sports pools, sports tab games, casino nights, and fantasy sports pools.

The unit also worked closely with the Gaming Advisory Council, a nine-member policy group established by law to study all aspects of gambling in Montana. The unit represented the Division at Council meetings and provided staff services to the Council.

Another major duty assigned to the unit is to initiate administrative action against licensees for violations of the gambling laws and rules and to represent the Division in administrative proceedings. The unit issued 39 notices of proposed agency action in fiscal year 1991 and 24 notices in fiscal year 1992. Most of these matters were settled before an administrative hearing was held.

Also during the biennium, the administrative unit was actively involved with state-tribal gaming compact negotiations. The Indian Gaming Regulatory Act (IGRA), enacted by Congress in 1988, directs the state, upon request of a tribe, to enter into negotiations on the conduct of Class III gaming on the tribe's reservation. Class III gaming, as defined under IGRA, includes games such as live keno, video gambling machines, lottery, and horse racing. Table 5.4 lists the number of negotiation sessions held with each tribe during fiscal years 1991 and 1992.

TABLE 5.4
Compact Negotiation Sessions Conducted
Fiscal Years 1991 and 1992

Tribe(s)	Reservation	No. of Meetings
Assiniboine & Sioux	Fort Peck	2
Blackfeet	Blackfeet	2
Chippewa-Cree	Rocky Boy's	1
Confederated Salish & Kootenai	Flathead	2
Crow	Crow	5
Gros Ventre & Assiniboine	Fort Belknap	1
Northern Cheyenne	Northern Cheyenne	8

Negotiations with the Assiniboine and Sioux Tribes of the Fort Peck Reservation culminated in an agreement that was approved by the United States Secretary of the Interior in June 1992 and became effective July 1, 1992. The compact authorized the Tribes to operate video poker, keno, and bingo machines and simulcast horse racing. The compact also provided for placement of up to 100 video gambling machines per tribally-owned premises and up to 20 machines for a premises owned by an individual tribal member. The maximum payout on the machines was set at $1,000. Subsequent amendments to the compact, approved by the State and Tribes in August and September 1992, authorized lottery, coin drops for video gambling machines, and live keno and poker games that could be operated on a 24-hour basis. The payout on live keno was limited to $1,000, while the payout on live poker games was subject to state limits (i.e., $300 per hand).

In September 1992, the Northern Cheyenne Tribe and the State signed a one-year interim compact authorizing the Tribe to operate all forms of Class III gaming that are legal in the state. Except for video gambling machines and live keno, the authorized games were subject to the same provisions that are provided for in state law. The provisions governing the operation of video gambling machines and live keno were identical to those provided for in the Fort Peck compact.

APPENDIX A

GAMBLING TAXES

TYPE	AMOUNT	DISTRIBUTION	STATUTORY CITE (MCA)
Live Bingo/ Keno	1% of gross proceeds (pd. annually)[1]	100% to local governments	23-5-409, MCA
Video Gambling Machine	15% of gross machine income (pd. quarterly)	33 1/3% to state general fund and 66 2/3% to local governments	23-5-610, MCA
Sports Tab Cards	$1/sports tab card (pd. annually)	100% retained by Dept. of Justice	23-5-502, MCA

[1]An organization qualified for exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) or a senior citizen center, retirement home, or nursing home is exempt from the live bingo/keno tax (23-5-406 and 410, MCA).

APPENDIX B

GAMBLING PERMITS

TYPE	COST	DISTRIBUTION	STATUTORY CITE (MCA)
Live Card Game Table	$250/yr for 1st table $500/yr for each add'l table[1]	$100/table retained by Dept. of Justice with remainder to local governments	23-5-306, MCA
Live Bingo/ Keno	$250/yr for each premises[2]	100% retained by Dept. of Justice	23-5-407, MCA
Video Gambling Machine	$200/yr for each machine	50% retained by Dept. of Justice with remainder to local governments	23-5-612, MCA
Live Card Game Tournament	$10/tournament	100% retained by Dept. of Justice	23-5-317, MCA
Casino Night	$25/casino night	Same as above	23-5-705, MCA

[1]A senior citizen center is exempt from the live card game table fee. (23-5-310, MCA)

[2]An organization qualified for exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) on 01/15/89 or a senior citizen center, retirement home, or nursing home is exempt from the live bingo/keno permit fee. A 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) organization qualified for federal exemption after 01/15/89 is exempt from one-half the permit fee. (23-5-406 and 410, MCA)

APPENDIX C

GAMBLING LICENSES

TYPE	COST	DISTRIBUTION	STATUTORY CITE (MCA)
Operator	One-time application fee commensurate with processing costs	100% retained by Dept. of Justice	23-5-177, MCA
Card Dealer	$75 1st year[1] $25 to renew	Same as above	23-5-308, MCA
Card Room Contractor	$150/yr	Same as above	23-5-324, MCA
Manufacturer-Distributor	One-time application fee commensurate with processing costs plus $1,000/yr license fee	Same as above	23-5-625, MCA
Manufacturer of Gambling Devices Not Authorized in Montana	Same as above[2]	Same as above	23-5-152, MCA
Electronic Live Bingo/Keno Equipment Manufacturer	Same as above	Same as above	23-5-424, MCA
Sports Tab Card Manufacturer	Same as above	Same as above	23-5-115,502, 503, MCA

[1]No fee is charged for a 90-day temporary card dealer license. (23-5-308, MCA)

[2]No application processing fee or license fee is charged if the manufacturer-distributor is licensed as a manufacturer-distributor under 23-5-625, MCA. (ARM 23.16.2001)

REPORT OF THE

1991 - 1992

GAMING ADVISORY COUNCIL

December 1992

MEMBERSHIP
GAMING ADVISORY COUNCIL

REP. BILL STRIZICH,
CHAIRMAN

TOM ACEVEDO,
VICE CHAIRMAN

BARRY FIGG

LINDA VAUGHEY

SEN. BILL YELLOWTAIL

GERALD DUNBAR

MAYOR WILMER ZELLER*

JOHN BLAIR**

COUNTY ATTORNEY
JAMES C. NELSON***

*REPLACED RUSS RITTER, SEPTEMBER 1992

**REPLACED JIM GUSICK, SEPTEMBER 1992

***REPLACED ROBERT L. DESCHAMPS, SEPTEMBER 1992

STAFF ASSISTANCE PROVIDED BY:

GAMBLING CONTROL DIVISION
DEPARTMENT OF JUSTICE

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I. INTRODUCTION

In 1989, the Montana Legislature adopted Senate Bill No. 431[1], a comprehensive revision of the state's gambling laws. Senate Bill No. 431 centralized regulation and control of all gambling activities, except for the lottery and horse racing, under the Department of Justice. The bill also provided for appointment of the Gaming Advisory Council.

The statutory duties assigned to the Council were multi-fold: to hold meetings and incur necessary expenses to study all aspects of gambling in Montana; to review and comment on administrative rules proposed by the Department; and to submit an annual report[2] to the Department of Justice and the Legislature with recommendations regarding the state's gambling laws and the Department's administrative rules and operations.

The Gaming Advisory Council consists of nine members: one member each from the Senate and House of Representatives, one public member, two local government representatives, one Native American representative, and three gaming industry representatives. The Senate Committee on Committees and the Speaker of the House appoint the legislators to the Council, while the remaining members are selected by the Attorney General. Each member serves a three-year term.

During the 1991-1992 Biennium, the legislative appointees to the Council were Senator Bill Yellowtail (Wyola) and Representative Bill Strizich (Great Falls). The Legislators were joined in fiscal year 1991 by the public member, Linda Vaughey (Havre); local government representatives, County Attorney Dusty Deschamps (Missoula) and Mayor Russ Ritter (Helena); Native American representative, Tom Acevedo (Pablo); and gambling industry members, Jim Gusick (Billings), Barry Figg (Dillon), and Gerald Dunbar (Red Lodge). In September 1992, Attorney General Marc Racicot appointed County Attorney James C. Nelson (Cut Bank), Mayor Wilmer Zeller (Glasgow), and John Blair (Billings) to replace Messrs. Deschamps, Ritter, and Gusick.

The remainder of this report reviews the Gaming Advisory Council's deliberations and activities and presents the Council's recommendations. Additional information on the work of the Council, including staff reports, is available through the Gambling Control Division, 2687 Airport Road, Helena, Montana 59620.

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[1] Chapter 642, Laws of Montana.

[2] In 1991, the law was amended to require the Council to submit a biennial report.

II. COUNCIL DELIBERATIONS AND ACTIVITIES

The Gaming Advisory Council began its work for the 1991 - 1992 biennium in August 1991 and adopted its final recommendations in December 1992. During this period, members met eight times. Seven meetings were held in Helena and one in Havre.

This chapter provides a brief overview of the Council's deliberations and actions during the 1991 - 1992 biennium. A detailed account of each meeting is contained in the meeting minutes, which are on file with the Gambling Control Division.

Meeting #1: August 29, 1991 (Helena)

During the Council's first meeting, staff from the Gambling Control Division reviewed the 1991 changes to the state's gambling laws. The Division also discussed proposed administrative rules that were drafted to implement the statutory changes. The rules addressed several topics including electronic live bingo and keno equipment, casino nights, fantasy sports leagues, transfer of ownership interests, sports tab games, sports pools, and operator license application processing fees.

The Council also discussed possible issues for study during the biennium. The group heard a proposal for conducting a compulsive gambling prevalence study. Members agreed that a prevalence study was needed before the Legislature would be willing to appropriate funds for compulsive gambling treatment. The Council felt that this type of study could be conducted under the mandates of House Bill No. 909 (HB 909). This bill, adopted by the 1991 Legislature, directed the Department of Corrections and Human Services (DCHS) to study two issues: (1) the minimum requirements for certification of persons providing counseling for gambling addictions; and (2) the availability of effective treatment resources in Montana for persons suffering from gambling addictions. The chairman appointed a three-member subcommittee to meet with the DCHS to discuss the possibility of the Department conducting a prevalence study as part of HB 909.

Other issues identified for possible review during the biennium included vertical integration within the gambling industry, license restructuring, distribution of the video gambling machine tax, and tribal-state gambling compact negotiations.

On October 8, 1991, a conference call was conducted involving the three-member prevalence study subcommittee and representatives from the DCHS. The

Department's position regarding conducting a compulsive gambling prevalence study was that HB 909 had a limited focus that did not include conducting a prevalence study. However, the Department agreed to apply towards conducting a prevalence study any funds remaining after completing the studies mandated by HB 909. The Department also offered to develop and issue a request for proposals (RFP) for conducting a prevalence study.

Meeting #2: November 7, 1991 (Havre)

At its Havre meeting, the Council continued its discussion on conducting a compulsive gambling prevalence study. Members reiterated that the Legislature would demand a measurement of the extent of the problem before authorizing a treatment program. Various sources for funding a study were identified, including industry associations, state agencies involved in gambling regulation, and local governments. Members agreed to send a letter to the DCHS requesting the Department to issue an RFP to conduct a prevalence study.

Another issue discussed during the meeting was promotional activities. The Gambling Control Division reported that it had determined that certain promotional activities conducted in conjunction with video gambling machines were illegal gambling activities. The industry's response to the Division's determination was that it was overly restrictive and hindered business. The industry claimed that promotions were essential in a highly competitive industry because operators could not compete on the basis of product or price. In addition, industry representatives felt that the Division was inconsistent in enforcing its promotional policy. The Gaming Advisory Council asked the Division and industry to continue their dialogue in this area.

Industry representatives also presented their concerns about certain administrative rules adopted by the Division. The parties agreed to work together to address these concerns wherever possible.

Meeting #3: February 6, 1992 (Helena)

The DCHS reported at the February meeting that it was ready to issue the RFP for the compulsive gambling prevalence study but that funding needed to be secured for the project. The Gambling Control Division agreed to meet with interests groups to solicit funds for the study. The Council asked the DCHS to issue the RFP.

Part of the meeting was reserved for an informational session on Indian gaming.

Gambling Control Division staff presented an overview of the Indian Gaming Regulatory Act. Additionally, the Division briefed the Council on the status of gambling compact negotiations in Montana.

Interested persons also discussed issues for further study or possible legislation. Areas identified included:

- uniform game payouts;
- issuance of provisional or temporary licenses under ceratin circumstances;
- promotional gambling activities;
- testing and approval of new video gambling machines by an independent testing facility;
- streamlining gambling licensing procedures; and
- placement of video gambling machines in convenience stores.

Meeting #4: April 16, 1992 (Helena)

The DCHS announced that the contract for conducting the compulsive gambling prevalence study was awarded to Eastern Montana College and Dr. Rachel Volberg of Albany, New York. Eastern Montana College was responsible for collecting the data via a phone survey; Ms. Volberg's assignment was to analyze the data and report to the Department.

The Gambling Control Division reported that, in response to industry concerns, the Division was contemplating revisions to administrative rules concerning video gambling machine record keeping requirements and noninstitutional loans. The Division also discussed its policy concerning licensing estate trustees and receivers and its policy on licensing establishments after foreclosures. In response to a suggestion from the previous meeting regarding private video gambling machine testing, the Division provided data on the average amount of time required to approve new machine models and modifications to approved models.

In addition, the Council discussed the benefits and disadvantages of recommending legislation to have the legal gambling age coincide with the legal drinking age. On a split vote, members decided not to recommend such legislation. The Council also discussed whether to recommend to the Legislature that the 15 percent tax on video gambling machines be maintained. Members agreed to ask the gambling industry associations to compile data on the impact of the current tax rate on business operations and to report their findings at the next

meeting. In other action, the Council directed Gambling Control Division staff to develop proposals to clarify the credit gambling statute.

Meeting #5: June 16, 1992 (Helena)

Members tabled presentations on the impact of the 15 percent video gambling machine tax on business operations. In general, members believed that it was premature to make a decision regarding the appropriate tax level since the issue was to be addressed during an upcoming special legislative session.

The Council also reviewed proposals for clarifying the credit gambling statute and adopted amendments.

The DCHS provided updates on the compulsive gambling prevalence study and the treatment studies mandated by HB 909. Members received a copy of the telephone questionnaire used to collect prevalence data. The Department reported that the contract to conduct the HB 909 studies was awarded to a team consisting of personnel from the University of Montana, Dr. Rachel Volberg, and Jean Falzon from the National Council on Problem Gambling.

The Gambling Control Division reported that it was working with the Liquor Division of the Department of Revenue on a proposal to consolidate investigative and licensing functions concerning liquor and gambling. The consolidation would be achieved by transferring these functions from the Liquor Division to the Gambling Control Division. The transfer would not involve substantive changes to the liquor or gambling laws.

Meeting #6: October 6, 1992 (Helena)

At the Council's invitation, several tribal representatives discussed the status of tribal-state gambling compact negotiations. Testimony was presented by Caleb Shields, Assiniboine and Sioux Tribes, Fork Peck Reservation; Jim Vogel, Gros Ventre and Assiniboine Tribes, Fort Belknap Reservation; Laurence Kenmille, Salish and Kootenai Tribes, Flathead Reservation; Evan Burr, Crow Tribe, Crow Reservation; and Jim Morsette, Chippewa-Cree Tribes, Rocky Boy's Reservation. Following comments from tribal representatives, the Gambling Control Division noted that the state negotiating team would welcome direction from the Legislature on parameters for negotiating compacts. The Division said that the negotiating team has relied on the state gambling laws as a manifestation of Montana's public policy regarding gambling and that the team has been reluctant to deviate significantly from state law when negotiating compact provisions.

Later in the meeting, the DCHS presented the results of the compulsive gambling prevalence study. The study found that the lifetime prevalence rate of problem and pathological gambling in Montana was 3.6 percent of the adult population; the current prevalence rate of problem and pathological gambling was 2.2 percent. (The study's executive summary is contained in the Appendix).

Another topic under discussion was the state's amusement games law. In 1991, the Legislature exempted amusement games from the definition of gambling, authorized certain games for public play, defined the type and maximum value of prizes that could be awarded, and required persons to obtain a county permit before operating the games. An owner of an amusement center offering token-operated games that dispense tickets based on the player's skill told the Council that the amusement game law impeded business. Because the law authorized only certain games, an operator was prohibited from introducing new games until they were approved by the Legislature. In addition, the provision prohibiting the award of merchandise exceeding a wholesale value of $50 prevented an operator from redeeming tickets for larger prizes. The Council asked the Gambling Control Division to draft a proposal to address these concerns.

Also during the meeting, the Gambling Control Division presented a list describing proposed technical and substantive revisions to the gambling laws. Areas subject to revision included card game tournaments, poker runs, importation of illegal gambling devices, underage gambling, credit gambling, shake-a-day, and promotional bingo, keno, and card games. The Council directed the Division to draft legislation implementing the proposed revisions for presentation at the next meeting.

Meeting # 7: November 24, 1992 (Helena)

As requested, the Gambling Control Division reviewed its proposed technical and substantive amendments to the gambling laws. Following this presentation, industry representatives made preliminary comments about the revisions and requested more time to study the proposals.

In response to the Council's request for a proposal addressing amusement games, the Division presented draft legislation that added a new category of amusement games to the statutory list of legal games. The new group included coin- or token-operated amusement devices that dispense token or tickets based on the player's skill in operating the device. Only those games involving a substantial degree of skill were authorized. The proposed legislation also included standards

for determining whether a game met the substantial degree of skill requirement. The Division noted that some discretion would be involved in determining which games fell into this new category and that this determination would rest with the county attorneys.

The Division also provided an update on the proposal to consolidate the liquor and gambling license and investigation functions. According to the Division, consolidation would result in more efficient processing of licenses without requiring an increase in agency funding. In addition, duplicated functions would be eliminated, and applicants and licensees would need to work with only one state agency rather than two. In reaction to the consolidation proposal, a tavern industry representative stated that the industry has a long history of working with the Liquor Division and was concerned that this working relationship would be jeopardized by transferring functions to the Gambling Control Division.

On the topic of Indian gambling, the Division reiterated that the state negotiating team would welcome legislative direction on compact negotiations. The chairman appointed a three-member subcommittee to develop a general statement or define some policy options regarding Indian gaming.

The DCHS presented the results of the HB 909 report on compulsive gambling treatment. The report recommended that a broad range of services aimed at minimizing the negative effects of gambling be established. These services would include public education and prevention, crisis intervention, training and certification, inpatient and outpatient treatment services, and research and evaluation. The report further recommended that a reliable mechanism for funding these services be provided. The Council asked the DCHS and Gambling Control Division to develop legislation providing for a treatment program based on the findings of the HB 909 studies.

The final agenda item for the November meeting was pig races. A pig race organizer explained that the Board of Horse Racing had determined that pig races violated a statute prohibiting wagering on the result of a contest of speed, skill, or endurance of an animal except in compliance with the parimutuel betting laws administered by the Board of Horse Racing. Currently the only lawful forms of parimutuel wagering involve horses and mules. The pig race organizer suggested that the law be amended to limit the Board's jurisdiction to registered horses and mules and allow wagering on other types of animals. In response to this suggestion, a Board representative cautioned the Council that this statutory change would encourage countless types of animal races to the detriment of the horse racing industry. Unpersuaded by this argument, the Council agreed to

support legislation, if introduced, limiting the jurisdiction of the Board of Horse Racing to registered horses and mules and placing other animal races under the Department of Justice's jurisdiction.

Meeting #8: December 22, 1992 (Helena)

The Council revisited the issue of amusement games at its December meeting. After discussing several options for amending the amusement game law, members unanimously approved an amended version of the bill presented at the November meeting and agreed to submit the bill to the 1993 Legislature.

Also during the meeting, representatives of tavern and gambling associations shared their 1993 legislative agendas with the Council. The groups identified several areas for legislation including providing for uniform payouts on video gambling machines and live games, authorizing placement of higher denomination bill acceptors on video gambling machines, creating a provisional or temporary gambling operator's license, allowing nonhouse banking card games, and revising video gambling machine record keeping requirements.

In addition, the Gambling Control Division presented revisions to its proposed legislation. Industry representatives and other interested persons discussed their concerns regarding the Division's proposals. At the Council's request, the Division agreed to include as part of its legislation the credit gambling amendments that were previously adopted by the Council. The amendments clarified that consideration paid for a chance to participate in a gambling activity (except raffles) must be made in cash but that a check or credit card may be used to obtain cash to participate in a gambling activity.

Also at the Council's request, the Division presented a compulsive gambling treatment bill. The bill required the Department of Corrections and Human Services to design, implement, and administer a treatment program for problem and pathological gambling. According to the Department, it would cost approximately $73,095 in fiscal year 1994 to develop the program and $638,045 in fiscal year 1995 to implement the program. The Council unanimously agreed to submit an amended version of the bill to the 1993 Legislature for its consideration. The group further agreed to fund the treatment program through proceeds received through the video gambling machine gross income tax, Montana lottery, and horse racing.

Indian gaming was also an item for discussion during the December meeting. Members agreed that the Council would continue to serve as a forum for addressing issues raised during compact negotiations.

III. RECOMMENDATIONS

At its December 1992 meeting, the Gaming Advisory Council unanimously agreed to submit two bills to the 1993 Legislature for its consideration. A summary of the bills appears below.

A. Pathological Gambling Treatment Program

This legislation authorizes the Department of Corrections and Human Services (DCHS) to design and develop a program for the prevention and treatment of pathological gambling in Montana. The Department is directed to:

- develop a statewide plan for addressing pathological gambling;
- adopt rules necessary to administer the program; and
- develop priorities for funding services and criteria for distributing program funds.

The DCHS is further directed to implement and administer the treatment program by:

- making services available to eligible persons;
- monitoring expenditure of funds by agencies and organizations receiving program funding; and
- evaluating the effectiveness of services provided through the program.

In addition, the legislation provides that the Department must make available to pathological gamblers and persons directly affected by a pathological gambler's behavior a range of services. These services include outpatient, intensive outpatient, and aftercare services and, on a limited basis, inpatient services to those persons requiring specialized care. Furthermore, the DCHS must provide prevention and educational services to the general public and develop a system of certifying service providers. The Department is authorized to contract with public community-based agencies and private organizations to provide services.

The legislation also appropriates $711,140[3] to the DCHS for the biennium ending June 30, 1995, to develop and implement the pathological gambling treatment program. The money is appropriated in the following amounts from the following accounts:

- before any distribution required under 23-5-610, MCA, $136,867

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[3] A preliminary fiscal note prepared by the DCHS estimates that it will cost $73,095 in fiscal year 1994 to develop the program and $638,045 in fiscal year 1995 to operate the program.

each quarter from the video gambling machine gross income tax account;

- before any distribution required under 23-7-402, MCA, $33,068 each quarter from the lottery enterprise fund; and
- $5,689 from the Board of Horseracing special revenue account provided for in 23-4-304, MCA.

The amount appropriated from the three accounts was determined as follows:

- The total fiscal year 1992 proceeds generated by the three revenue sources (i.e., video gambling machine income tax, lottery proceeds, and horseracing proceeds) that was distributed to state or local governments was calculated.
- The percentage representing the amount generated by each revenue source in relation to the fiscal year 1992 total was calculated. Video gambling machine gross income taxes represented 80.6 percent of the total while the lottery and horseracing represented 18.6 percent and 0.8 percent, respectively.
- The percentages were then applied to the fiscal year 1994-1995 biennium appropriation (i.e., $711,140) to determine the amount to be obtained from each source.

If enacted, the legislation becomes effective July 1, 1993.

Because the legislation grants rulemaking authority to the DCHS, a statement of intent accompanies the bill. The statement directs the Department to adopt rules addressing:

- procedures for reimbursing agencies and organizations for providing treatment services;
- criteria for selecting agencies or organizations eligible to provide services;
- recordkeeping requirements for treatment providers;
- criteria for evaluating services provided through the program;
- criteria for determining persons eligible to receive treatment; and
- certification of treatment providers.

B. Amusement Games

This legislation amends the amusement games law contained in Title 23, chapter 6, part 1, MCA.

Under current law, a prize awarded for participating in an amusement game must

be tangible personal property with a wholesale value of $50 or less or nontransferable tokens, tickets, or coupons that may be accumulated and redeemed for tangible personal property with a wholesale value of $50 or less. The Council's legislation removes the $50 cap on the wholesale value of merchandise that may be obtained through redemption of tokens or tickets. Furthermore, the legislation provides that:

- the value of each token or ticket for redemption purposes may not exceed 5 cents; and
- the maximum number of tokens or tickets awarded after a single play of an amusement game may not exceed the value of ten times the total amount paid by all participants to play the game.

In addition, the legislation adds a new category of amusement games to the list of authorized games contained in 23-6-104, MCA. This category includes coin- or token-operated devices manufactured for amusement purposes only that dispense tokens or tickets based on the player's skill in operating the device. The games must involve a substantial degree of skill. A substantial degree of skill is present if:

- a player's physical or mental abilities play an integral role in determining the number of tokens or tickets accumulated during the play of the game;
- the number of tokens or tickets initially received by the average player would increase with repeated play of the game; and
- a player's precision, dexterity, or knowledge enables him to obtain more tickets or tokens than would be received by a less precise, dexterous, or knowledgeable player.

The legislation, if enacted, becomes effective on passage and approval.

APPENDIX

Gambling Involvement and Problem Gambling in Montana

EXECUTIVE SUMMARY

This report presents the findings of a state-wide survey of gambling involvement and gambling problems in Montana. A large sample of adult residents over the age of 18 (N=1,020) were interviewed about the types of gambling they have tried, the amounts of money they spend on gambling, and about problems related to their gambling. The results of the survey are comparable with the results of similar surveys carried out in other states.

Key Findings

♠ The lifetime prevalence rates of problem and pathological gambling in Montana are much higher than the rates found in Iowa and slightly higher than in South Dakota. The lifetime prevalence rates in Montana are lower than prevalence rates found in the Northeast of the United States. As with lifetime rates, the current prevalence rates of problem and probable pathological gambling in Montana are higher than in South Dakota.

♣ The lifetime prevalence rate of problem gambling in Montana is 2.3% and the lifetime prevalence rate of pathological gambling is 1.3% of the adult population. Based on these figures, we estimate that between 8,000 and 18,600 adult residents of Montana have been problem gamblers at some time in their lives. In addition, we estimate that between 3,500 to 11,500 adult residents of Montana may have been pathological gamblers at some time in their lives.

♥ The current prevalence rate of problem gambling in Montana is 1.5% and the current prevalence rate of pathological gambling is 0.7% of the adult population. Based on these figures, we estimate that between 1,100 and 7,000 adult residents of Montana are currently probable pathological gamblers. We estimate that an additional 4,400 and 12,900 adult residents of Montana are currently problem gamblers.

♦ In Montana, for the first time, there is no significant difference between lifetime problem and probable pathological gamblers in terms of gender. Lifetime problem and probable pathological gamblers in Montana are just as likely to be women as the general population.

♠ The only significant difference between lifetime problem and probable pathological gamblers and the general population in Montana is in terms of age. Lifetime problem and probable pathological gamblers in Montana are significantly more likely to be under the age of 30 than the general population.

- ♣ The most popular types of gambling among Montana respondents who have ever gambled are lottery games, charitable gaming, and gaming machines. Live keno and bingo, bets with friends, horse race wagering and sports pools are also popular among Montana respondents.

- ♥ Montana respondents most frequently cite fun or entertainment as their main reason for gambling. Other important reasons include winning money, socializing and to support worthy causes.

- ♦ Gaming machines and non-instant lottery games in Montana attract the greatest monthly gambling expenditures. Wagering on horse races is characterized by the highest proportion of players who spent over $50 per month.

- ♠ Problem and pathological gamblers in Montana are more likely to have played gaming machines and less likely to have wagered on sports or card games than problem and probable pathological gamblers in other states.

Future Directions

This study provides a solid foundation for future policy making and planning for services for problem and pathological gamblers in Montana. Consideration must now be given to educating Montana residents about the potential problems associated with gambling, to providing treatment services for those individuals who experience problems related to their gambling, and to ensuring that adequate and continuing funds for such efforts are made available.

In the future, it will be important to consider what steps can be taken by state agencies, mental health and substance abuse treatment professionals, educators and gaming industries to minimize the rates of problem and pathological gambling in Montana. Particular consideration should be given to developing prevention, education and treatment services aimed at women and youthful gamblers.

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